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FINANCIAL TIMES

World Business Newspaper http://www.FT.com

MONDAY APRIL 19 1999

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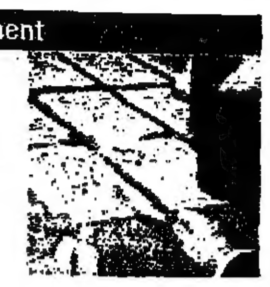
Mastering Information Management



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The series in summary
Also in today's final instalment – Peter Drucker on executive information

WORLD NEWS

30m Russians face extreme poverty says World Bank

Up to 30m Russians may be living in extreme poverty by next year, according to preliminary analysis carried out by the World Bank and due to be published next month. **Page 18; EBRD shifts focus in Russian lending, Page 3; World Bank set to vote on Jakarta loan, Page 5**

Congress party seeks coalition
India's Congress party began patching together a coalition government to replace the Bharatiya Janata party-led grouping ousted at the weekend. **Page 18; Congress sees Gandhi as new coalition leader, Page 4; Editorial Comment, Page 17**

Italy looks to private sector
The Italian parliament will today debate a bill that could launch a large programme of privately financed public works, including the building and operation of two motorways. **Europe, Page 2**

Turkey's voters seek stability
Turkey's 37.5m voters went to the polls for general and local elections which they hope will make a break with political instability. **Europe, Page 3**

Police seek nail bomber
Police were last night trying to establish who planted a nail bomb that exploded in Brixton, south London, injuring up to 50 people. The Irish Republican Army or "any other known terrorist group" have been ruled out. **Britain, Page 7**

East Timor talks in danger
United Nations talks on East Timor were put in jeopardy by an escalation of attacks on pro-independence activists on the island. **Asia-Pacific, Page 4**

Mexico trade talks at risk
The European Union told Mexico it must improve its offer on industrial tariff reductions or a fifth round of free trade talks would be suspended. **International, Page 6**

UN agency head to be confirmed
Mark Malloch Brown, a World Bank official, is set to be confirmed as head of the United Nations Development Programme. **International, Page 6**

Sinn Féin steps up arms protest
Sinn Féin president Gerry Adams stepped up his attack on the British and Irish governments over their insistence on some form of arms decommissioning by the Irish Republican Army. **Britain, Page 7**

Banks warned over Antigua
The British government warned UK banks to be on their guard when dealing with financial institutions from Antigua, which has promised to improve its money-laundering legislation. **International, Page 6**

Bangladesh paralysed by strike
A general strike called by opposition parties paralysed much of Bangladesh the day before a key meeting of the country's aid donors. **Asia-Pacific, Page 4**

BUSINESS NEWS

Pfeiffer and Mason quit after Compaq profits warning

Compaq announced the resignation of Eckhard Pfeiffer, chief executive, and Earl Mason, chief financial officer, effective immediately. The resignations follow a surprise profit warning issued by the world's largest PC manufacturer ten days ago.

Telecom Italia confirmed for the first time it was negotiating a merger with Deutsche Telekom. It was forced to show its hand after Consob, the Italian stock market regulator, demanded a statement before the opening of the markets today. **Page 19**

Banca Intesa, the north Italian banking group, is set to propose an alternative merger with Banca Commerciale Italiana if UniCredito Italiano's share exchange bid for BCI collapses. **Page 19; BSCH shares, Page 24**

Merrill Lynch Mercury, the UK's largest pension fund manager, denied charges it was negligent in managing some clients' funds, but admitted it made some poor investment decisions. **Page 19**

LVMH's battle to take over Gucci, the Italian fashion company, will enter its next stage on Thursday with a critical court case in Amsterdam. The French luxury goods group is attempting to nullify two recent Gucci share issues. **Page 23**

Brazil could soon issue up to \$5bn in international bonds thanks to an unexpectedly rapid recovery from its 39 per cent devaluation of the Real, said President Fernando Henrique Cardoso. **Page 24; Editorial Comment, Page 17**

First Choice, the UK tour operator planning to merge with Switzerland's Kuoni, warned Airtours not to launch a counter-bid and upset the holiday market with "a reckless gamble". **Page 19**

Clariant, the Swiss speciality chemicals group, stressed that Hoechst, its biggest shareholder, fully supported its ambitious expansion strategy. **Page 22**

Chicago Board of Trade directors will meet today amid signs of a potentially debilitating rift at the US futures market. **Page 22**

Newbridge Capital, the US investment firm, said it was firmly committed to its takeover of Korea First Bank, which is considered crucial to the restructuring of South Korea's troubled banking sector. **Page 21**

Lycos, the internet search site, is to abandon its internet directory and adopt an experimental service from rival Netscape, in which the public do the work of creating the directory. **Page 24**

World Equity Markets
The latest trends and data from more than 50 national markets at a glance
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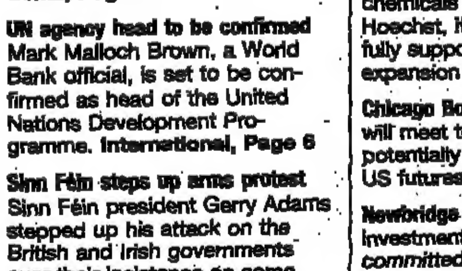
Progress of the euro
Euro vs leading currencies (rebased Jan 1 1999=100)



Euro exchange rates

Dollar	1.0706
Yen	126.44
Sterling	0.6632
Swedish krona	8.8865
Danish krone	7.4344
Greek drachma	324.56
Swiss franc	1.6027

The euro fell last week, hit by sales of the currency against the yen as Japanese investors sold euro-zone assets and took the money home; it hit a new low against the dollar on Friday

Euro markets, Page 27

Albania seeks fast EU entry

Tirana asks Brussels to drop usual criteria due to Kosovo crisis

By Kevin Done in Tirana, Guy Dinmore in Belgrade and Alexander Nicoll in London

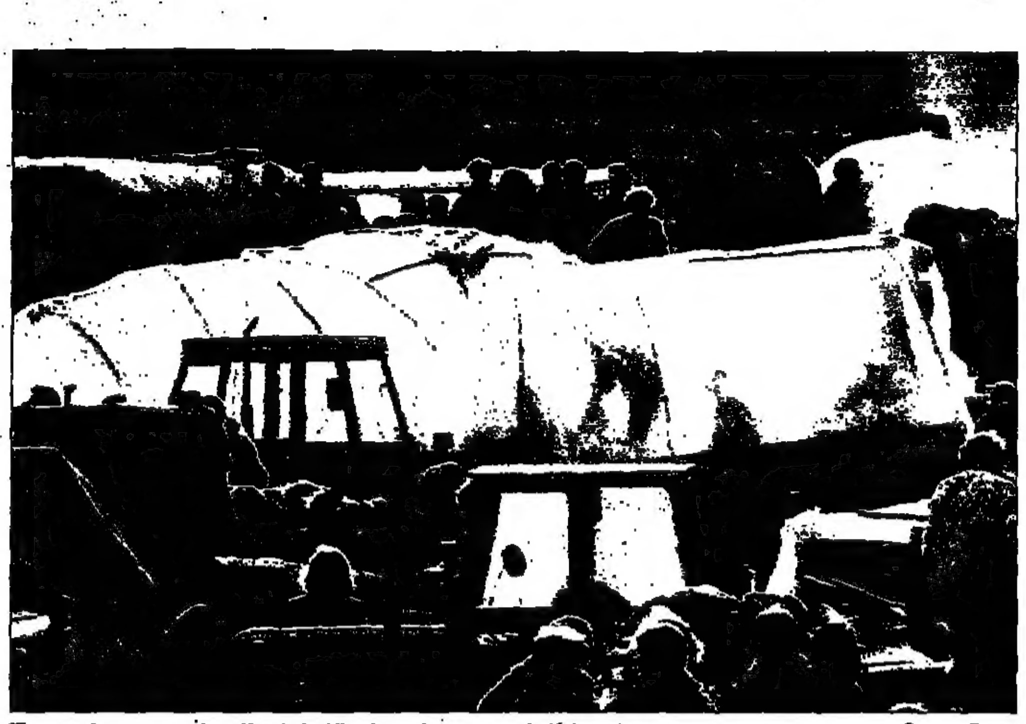
Albania yesterday sought to gain diplomatic advantage from its acceptance of more than 320,000 Kosovar refugees after some 28,000 people, fleeing ethnic cleansing, flooded over its border during the weekend.

Yugoslavia meanwhile claimed an "ecological disaster" had been caused by Nato's bombing of an oil and petrochemicals plant which resulted in chemicals being dumped in the Danube.

The refugees from Kosovo told aid agencies that another 50,000 or more may be following them. The renewed flow threatened to overwhelm international relief agencies at Kukes, the main arrival point in Albania.

Paskal Milo, Albania's foreign minister, warned that the influx could destabilise Albania. He hoped for a deeper relationship with – and membership of – the European Union.

"We are carrying the burden of the region and we are reacting in a European way to these difficulties, not with a Balkan mentality but with a solidarity not previously known in this region," Mr Milo told the Financial Times. He said the EU should overlook normal membership criteria in response to the crisis, admitting that Albania could not fulfil EU standards "both economically and sometimes democratically".



The sun rises on a makeshift ethnic Albanian refugee camp in Kukes Picture: Reuters

Mr Milo added: "If they tell the Balkan countries, and especially Macedonia and Albania, to fulfil all their standards first, that will take years and years and then the Balkans will never be stabilised. And the Europeans will suffer much more."

The Albanian government is to meet EU leaders in Luxembourg on April 27. As a first step it wants an association agreement with the EU, the interim step taken by 10 countries in central and eastern Europe now negotiating EU membership. The Albanian foreign ministry said Yugoslavia had broken off diplomatic relations with Tirana.

As Nato's air strikes on Yugoslavia continued for a 26th day, clouds of black smoke enveloped northern outskirts of Belgrade after an air raid early yesterday on an oil refinery and petrochemicals complex.

Officials said destruction of a section making PVC had released phosgene into the atmosphere. Phosgene, a poisonous gas used in chemical warfare, is a component of soft-foam furniture. They added that they had been forced to dump large amounts of a carcinogenic chlorine-based compound into the Danube. "We've destroyed life in the Danube," said Dragoljub Jerovic, Serbia's ecology minister.

Nato leaders said they would persist with the air campaign without activating plans for an opposed invasion of Serbia. "Of course . . . we keep every single option under review," Tony Blair, UK prime minister, told CBS TV.

Further reports, Page 2

EU to look at tax exemption for bonds

By Peter Norman in Dresden and George Graham in London

European Union finance ministers have agreed to examine whether the wholesale market for international bonds could be exempted from a proposed EU-wide tax on savings so that the measure could overcome deep-seated British fears about its damaging effects on the City of London's financial industry.

At an informal meeting in Dresden at the weekend they asked senior officials from the member states and the European Commission to report before the ministers' planned meeting on May 25.

They want to know whether it would be feasible to exclude the so-called wholesale market for international bonds from the scope of a proposed directive to impose a minimum 20 per cent withholding tax on savings of non-residents in the EU.

The Dresden meeting marks a small step forward, in that some ministers accepted the case for giving international bonds special treatment.

The ministers' decision was also a clear signal that Germany, which holds the six-month rotating presidency of the EU, and Hans Eichel, its new finance minister, are keen for a compromise with the UK on the issue.

The impasse is helping to delay progress on a package of tax co-ordination measures deemed necessary for the efficient working of the EU's single market. However, Mr Eichel warned that the decision to examine the exemption of the wholesale international bond market did not indicate consensus.

Gordon Brown, the UK chancellor of the exchequer, said he detected a "growing understanding of Britain's position". He said the government would "do everything we can to advance the eurobond market" and stressed the UK would "not agree to any decision which imposes a withholding tax on Britain".

Mario Monti, the commissioner responsible for the planned directive, said that while underlining the concerns of the City, the UK had "stated its commitment to negotiations in good faith".

He said it was positive that Italy, France, the Netherlands and Germany spoke in favour of special treatment for eurobonds in the directive whereas some months ago Britain seemed isolated on the matter.

The UK has promised a working paper on how to distinguish between the retail and wholesale sectors of the international bond market as soon as possible.

Investment bankers and the Commission remain sceptical about proposals for exempting bonds whose minimum holding is larger than a set cut-off point. They insist that unless all existing international bonds are exempted, the withholding tax will create chaos by triggering early redemption clauses.

Bundesbank presidency set to go to minister's ex-colleague

By Ralph Atkins in Bonn

Hans Eichel, Germany's new finance minister, is set to strengthen his grip on economic policy after it emerged yesterday that Ernst Welteke, a former state government colleague, was likely to be confirmed soon as the next Bundesbank president.

Mr Welteke, 56, served as both economics and finance minister in Hesse, central Germany, where Mr Eichel was prime minister until the beginning of this month. He would succeed Hans Tietmeyer who is due to retire as the central bank president in the second half of this year.

The role of the Bundesbank has diminished following the launch of the European Central Bank and the euro. But it remains Germany's most important financial institution and is strongly associated with price stability.

Mr Eichel has adopted a less flamboyant and more pragmatic style than his predecessor, Oskar Lafontaine, who resigned last month. Within hours of taking office, Mr Eichel signalled strict discipline on government spending.

In an article for the Bild am Sonntag newspaper yesterday, Mr Eichel said a "catalogue of measures" would be drawn-up before the summer to close an estimated DM30bn (€15bn) "hole" in the government's budget. Although the finance ministry has ruled out an increase in value added tax, these could include curbs on spending.

Mr Welteke, who has strong connections with the ruling Social Democratic party (SPD), has been president of the Hesse state central bank and member of the Bundesbank council only since April 1995 after a career as a politician spanning 30 years.

Until Mr Lafontaine's resignation, Heiner Flassbeck, then a state secretary in the Bonn finance ministry and an adviser to Mr Lafontaine, had been a challenger for the post. Mr Flassbeck was regarded as a critic of Bundesbank and European Central Bank monetary policy.

Mr Welteke, who trained as a specialist in agricultural machinery before studying economics, is unlikely to be as outspoken but will not be uncritical.

Daewoo outlines plan to halve \$49bn debts

By John Burton in Seoul

Daewoo, South Korea's second largest conglomerate, or chaebol, will halve its debts of nearly Won60,000bn (\$49bn) this year under a restructuring plan submitted to creditor banks at the weekend.

The move comes after Standard & Poor's, the credit rating agency, cut its rating for the group's parent company, Daewoo Corporation, to B- last week, raising concerns about its financial stability. It warned a further downgrade was possible if Daewoo was unable to reduce its debts and shed underperforming businesses.

"It looks like Daewoo has finally got the message," said Jang Ha-sung, a professor of finance at Korea University and a leading chaebol critic in his role as head of Korea's minority shareholders movement.

Daewoo said it would reduce its debt/equity ratio to a government target of 200 per cent by the end of the year by selling assets, issuing new equity and securing foreign investment.

Daewoo last year signed a memorandum of understanding to sell 66 per cent of Daewoo Telecom to Newbridge Capital.

The US investment firm plans to acquire Korea First Bank, which is Daewoo's main creditor bank. Daewoo Telecom's businesses include telecoms equipment, computers and car parts.

Daewoo is also negotiating to sell Hankuk Electric Glass, a leading global maker of glass bulbs for cathode-ray tubes, to Nippon Electric Glass of Japan. Another proposed deal is the swap of Daewoo's consumer electronics unit, Daewoo Electronics, for Samsung Motors.

Analysts expect Daewoo to offer to sell stakes in Daewoo Heavy Industries, its profitable shipbuilding company, to foreign investors. Daewoo denied market speculation that it would dispose of Daewoo Securities, Korea's leading securities firm.

The reorganisation would leave car manufacturing as Daewoo's main industrial business. Daewoo is Korea's second biggest carmaker after Hyundai Motor, and ranks 17th in the world in terms of production.

Daewoo has recently concentrated on expanding its car operations, including a takeover of Ssangyong Motors in late 1997. This helped increased its debt by 40 per cent last year to Won59,880bn.

But analysts believe the debts may be higher since some borrowings by Daewoo's nearly 600 overseas businesses might not be included in the group's consolidated accounts. Daewoo's debt/equity ratio was 355 per cent at the end of last year, but this was largely due to a revaluation of assets that the government has since disallowed. Analysts estimate Daewoo's debt/equity ratio to be 500 per cent if asset revaluations are excluded.

CONTENTS

Euro-zone target price €2.15. Prices in local currency as shown

Bahrain	Din1.300	Iceland	IKr285	Oman	OR1.75
Belgium	BFr90(€2.23)	Italy	L3900(€2.01)	Poland	Zl 10.00
CIS	US$4.00	Jordan	JD1.75	Portugal	Esc320(€1.60)
Croatia	Kn19.00	Kuwait	KWD0.750	Qatar	QR13.00
Denmark	DKr16.00	Latvia	Lat1.65	South Africa	R18
Estonia	EKr34.00	Lithuania	Lit21.00	Spain	Pta325(€1.95)
Finland	Fmk13.00(€2.18)	Lebanon	LBP3,500	Sweden	SKr20.00
France	FFr14.00(€2.13)	Luxembourg	LFr90(€2.23)	Switzerland	SFr3.50
Gibraltar	£0.85	Morocco	Dh18.00	Syria	S£80.00
Greece	Dr500	Netherlands	Fl 4.80(€2.18)	Tunisia	Din2.000
Hungary	Ft380	Norway	NKr19.00	UAE	Dh13.00

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KOSOVO CRISIS EUROPE'S POOREST COUNTRY BRACES FOR FURTHER INFLUX ■ WAR DISRUPTS REGIONAL ECONOMIES ■ 'NO PLANS' FOR GROUND TROOPS TO BUTTRESS AIR CAMPAIGN

Refugee wave adds to Albania crisis

By Kevin Done, East Europe Correspondent, in Tirana

The fresh influx of Kosovo refugees into Albania is reaching the crisis proportions of more than three weeks ago, when Serb forces spurred ethnic cleansing and Nato aircraft began bombing targets across Yugoslavia.

About 28,000 ethnic Albanian refugees flooded over the border at the weekend, international monitors reported. At least 23,000 crossed into north-east Albania in one 24-hour period at the Morina border point in the mountains near Kukes.

The flow was briefly halted in the early hours of yesterday as a car carrying refugees hit an anti-tank mine in the narrow no-man's land between Albania and Yugoslavia. Five were killed in the explosion.

Jacques Mouchet, envoy of the United Nations High Commissioner for Refugees in Albania, said there were now more than 320,000 refugees in Albania, Europe's poorest country.

"We are still in the middle of the crisis," he said. "The indications are that this movement of refugees will continue in coming days."

Jean-Luc Siblot, deputy director for the United Nations World Food Programme in Albania, said the agency had basic food in the country to meet the needs of 350,000 people for a month, and "by the end of April another month's food will have arrived".

"We are very much concerned by the new wave of refugees coming in the last 24 hours, who are in bad shape according to reports," he said.

Albania, which is bearing the brunt of the flood of refugees, is seeking to gain diplomatic advantage from the crisis by persuading the international community to seek ways to accelerate its integration into western economic and defence structures.

The Albanian government is to meet European Union leaders in Luxembourg on April 27 to press its case for closer relations.

In an interview with the Financial Times, Paskal Milo, Albania's foreign minister, said the government was seeking "a strong political message that the EU understands the difficulties in Albania and the sacrifices Albanians are making... We don't want kind words, we want them to realise in concrete terms how Albania will be helped in these difficult days."

Mr Milo also warned that the influx of refugees could destabilise Albania not only economically and socially but also politically.

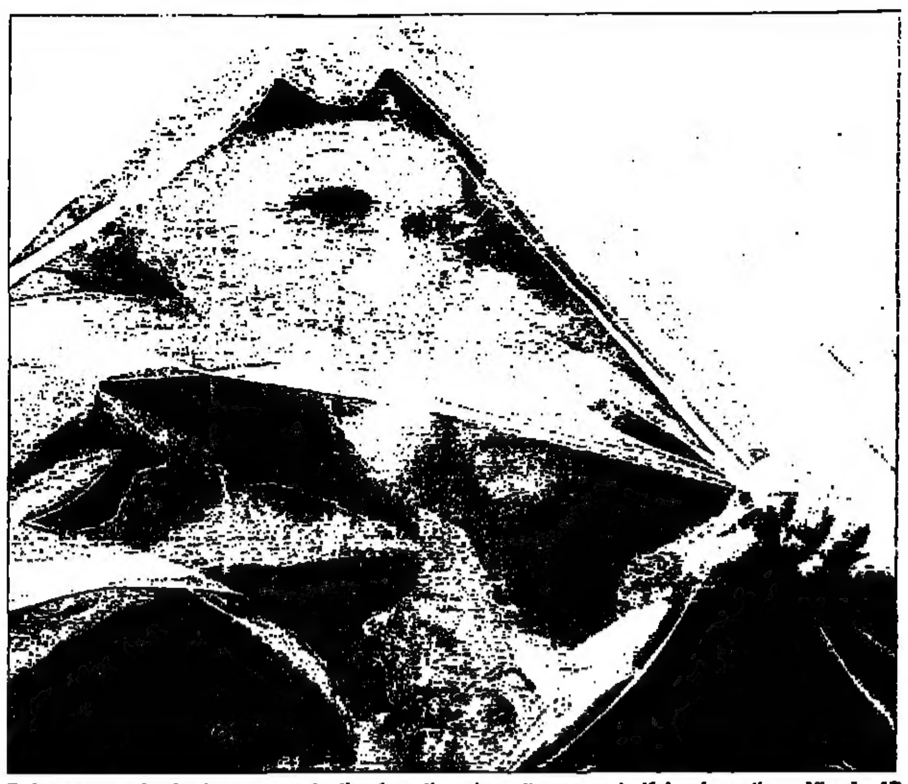
Mr Milo said the government was seeking a change in its contractual relations with the European Union "to open doors, to give a green light for the integration of Albania into the EU".

As the international community studies ways of bringing long-term peace and stability to the Balkans after the end of the conflict in Kosovo, Albania believes that it can benefit directly through closer ties with Brussels.

Amid continuing concerns about the political stability of Albania in the present crisis, the former president, Sali Berisha, whose Democratic party lost power in 1997, called at the weekend for the formation of a new, more broadly based government.

He accused a "state mafia" of selling food and drugs taken from humanitarian aid shipments and said Albania was "totally unprepared for the biblical exodus of refugees".

Mr Milo countered that elements from the Democratic party were trying to use the refugees to undermine the government.



Refugees use plastic sheets as protection from the rain as they cross to Kukes in northern Albania AP

EBRD warns of effects on Balkan trade

By Stefan Wagstyl and Arkady Ostrovsky in London

The economic effects of the Kosovo war are spreading through the Balkans, disrupting trade and investment, the European Bank for Reconstruction and Development warned yesterday.

However, the impact on other central and east European countries was very limited, said Nicholas Stern, the EBRD's chief economist.

Countries bordering Serbia were already being "quite seriously" affected, especially Macedonia and Albania, which were having to provide for large numbers of refugees, he said.

Trade was being disrupted in the region, notably for Macedonia and Bulgaria, which, before the bombing started, had exported large amounts of food by road through Serbia to markets in central and western Europe, said Mr Stern.

The crisis has come at a critical time for the region's agricultural exporters who make their most profitable sales in early season fruit and vegetable crops. Bulgaria sent about 50 per cent of its exports through Serbia to countries further north and west and Macedonia 65 per cent.

Mr Stern's remarks were echoed by Stevo Crvenkovski, the Macedonian ambassador to the UK, who said road transport now had to go via Bulgaria, Romania and Hungary. The queue on the one bridge across the Danube linking Bulgaria and Romania was now seven to 10 days.

Mr Crvenkovski said Macedonia was also suffering from the adverse publicity generated by what he described as inaccurate reporting of its treatment of Albanian Kosovar refugees.

He denied what he said were claims that Macedonia had been the poorest republic in the former Yugoslavia and he denied that the country was politically unstable.

Ermerlinda Meksi, the Albanian minister for economic co-operation and trade, appealed for economic aid with the $800m-plus cost of caring for refugees. This was composed of $600m in humanitarian costs, to be met largely by international aid agencies, and $220m in Albanian government costs. The crisis had damaged the country's economic modernisation, she said. Instead of tourists, Albania was now receiving refugees and instead of foreign direct investment, humanitarian aid.

Hans Peter Plankes, an EBRD economist, said another country that could "take a hit" was Croatia, which has an extensive tourist industry. Bosnia could also suffer because of its proximity to Serbia. However, bank officials said the impact of the crisis farther afield was limited because investing companies had learnt to distinguish carefully between the different countries. Mr Stern said that foreign direct investment in the region had grown strongly last year, despite the drop in investment in Russia related to the Russian economic crisis. "I don't expect confidence to be affected by Kosovo," he said.

He forecast that direct investment in 1999 would not rise above 1998's high level but neither would it decline.

Leszek Balcerowicz, the Polish finance minister, agreed. Poland, the region's largest recipient of foreign investment, had not felt any effects from the Kosovo conflict, he said.

Clinton, Blair in united front

By Nancy Dunne in Washington

Before Nato's 50th anniversary celebration in Washington this week, President Bill Clinton and Tony Blair, UK prime minister, yesterday sought to project a united front on the alliance's intervention in the Kosovo conflict.

Each assured the other's public that they were committed to fight it out in Kosovo until allied objectives were achieved.

Writing in the British Sunday Times newspaper, Mr Clinton said: "We are in Kosovo because Europe's worst demagogue has once again moved from angry words to unspeakable violence."

He also insisted that Nato was inflicting "mounting losses" on Serbian forces which would eventually force them to withdraw from Kosovo.

Speaking on the American CBS network, Mr Blair said that if racial genocide was allowed to prevail, it would destabilise Europe.

He rejected calls for the use of Nato ground troops, saying they would face the same dangers that had been contemplated when Nato decided to limit its involvement to an air campaign.

Like US officials yesterday, he suggested that ethnic Albanian refugees could not return to Kosovo as long as President Slobodan Milosevic remained in power in Yugoslavia.

Strobe Talbott, US deputy secretary of state, said Nato leaders in their anniversary celebrations would stress their determination that Nato "stand up to our single greatest challenge to peace" since the second world war.

But Richard Lugar, a leading Republican senator, attacked the administration's refusal to plan for ground troops and said the future of Nato was at stake. "Many are predicting that this will be the funeral of Nato," he said.

GROUND TROOPS COOK DENIES PLAN IS IN MOTION BUT SOLANA SAYS THAT IF NECESSARY, 'WE WILL BE READY'

Nato air strikes 'are enough for now'

By Alexander Nicoll, Defence Correspondent

Nato yesterday showed no sign of supplementing its campaign of air strikes against Yugoslavia with moves towards a land invasion.

Some US politicians have called for the insertion of ground troops to force Serb forces out of Kosovo, and British Sunday newspapers yesterday reported that plans were in motion.

However, this was denied by Robin Cook, the UK foreign secretary, who said on British television that there was "no intention, and no plans, to send in ground troops".

Javier Solana, Nato secretary-general, said on BBC television's *Breakfast With Frost*: "At this point we think the air campaign is enough. The military authorities who are leading the campaign think that it is enough.

"Therefore we are not going to change the policy now. But if the moment comes and it is necessary, I am sure that the countries that belong to Nato will be ready to do it."

Nato has been working on a number of possible options for ground forces, including a full-scale invasion of Serbia.

All are currently discarded, except its long-stated plan to send 30,000 troops as peace-keepers to secure the return of Kosovar Albanians to their homes. It has 12,000 troops in Macedonia, who are intended to be the first part of this force.

The alliance has said troops will go in only if there is a "permissive environment". This could be after a political solution, or it could mean simply a time when Serb forces are no longer able to put up serious resistance.

Questioned last week, Mr Solana asked journalists: "Why don't you help me a little bit and don't ask me to qualify the word permissive?"

Nato says its effort to isolate Serb forces in Kosovo by striking at supplies and supply routes is working, but expects the elimination of resistance to take many more weeks.

US officials pointed to the difficulties of assembling an invasion force. "It would probably take weeks or months to get a full heavy armoured combat force on the ground, ready to go into Kosovo," said Ken Bacon, Pentagon spokesman.

There are few large ports in the area, and airports at Tirana and Skopje are at full stretch.

The few roads and bridges into Kosovo have been mined and have concentrations of Serb artillery batteries and tanks close by.

An invasion through Macedonia – which is unlikely to want its territory used for this purpose – or Albania would mean sending troops through challenging mountainous terrain.

Troops invading from Hungary, a Nato member, would have to fight their way through the length of Serbia to reach Kosovo.

Blocked Danube hits countries right across the continent's income range

Companies as diverse as Austrian steelmakers and Slovak shipbuilders have seen business affected by this unexpected disaster of the war, writes **Robert Wright**

While the Kosovo refugee problem has fallen most heavily on some of Europe's poorest countries, one effect of the war has hit countries right across the continent's income range.

Companies as diverse as Austrian steelmakers, Bavarian barge operators, Slovak shipbuilders and Romanian shippers have all seen business affected by the unexpected and complete blockage of the Danube, Europe's longest waterway.

"There is some navigation south-east of Yugoslavia and north-west, but not what is the *raison d'être* of the Danube, to link the Black Sea to western Europe," said Hellmuth Strasser, an Austrian diplomat who heads the secretariat of the International Danube Commission, based in Budapest.

Traffic through Yugoslavia on the 2,400km river ceased on March 24, when Nato started its air strikes over the Kosovo crisis.

The real shock to shippers on the river came on April 1, when the first of several bridges, at Novi Sad, capital of the northern Serb province of Vojvodina, was destroyed by bombing.

Two other bridges have since been completely destroyed, their wreckage blocking the waterway, while others have been damaged. The effect was wide-ranging and instantaneous.

The real shock for the Danube shippers came when the bridge at Novi Sad was destroyed during bombing raids

Radisa Djordjevic, head of the Yugoslav directorate of International Danube Navigation, said that 100 ships loaded with cargo were stranded on the Yugoslav section of the river, which makes up a quarter of the river's navigable length.

The blockage has arrested a steady recovery in Danube traffic since United Nations sanctions caused a brief blockade followed by a long period of UN monitoring during the Croatian and Bosnian wars.

Having slumped from 100m tonnes a year in 1987 to 25m tonnes during the earlier wars, traffic last year is estimated to have been about 40m tonnes. The cries of pain from shippers have been all the louder because there is no end in sight to the problem.

Even after any peace deal, it will be months before wreckage is cleared, and few think the Yugoslav authorities will pay to clean up debris from Nato attacks.

The main business of the river, Mr Strasser explained, was to import raw materials. Typical would be a shipment of iron ore from Romania's Black Sea port of Constanta or Ukraine's ore mines, to Hungary or Austria.

The largest fleets on the river belong to Ukraine, which borders the river's Black Sea delta, and Romania. Manufacturers and exporters have been able to move to other means of transport, leaving shipping the industry hardest hit by the crisis.

Hans Frank, manager of Gerhard Meyer, a shipping company based in Regensburg, Bavaria, said he was unable to fulfil many of his contracts; of his 155-vessel fleet, 60 are marooned either side of Novi Sad.

Bulgaria reckons one third of its river fleet is now in the wrong place. The outlook seems even bleaker for shipping lines such as Romania's Navrom, whose future was already uncertain before the crisis.

While other countries have repatriated crews, lack of cash is thought to mean some Romanian crews are still with their vessels and short of money.

One sailor with Hungary's state-owned Mahart shipping line complained in Budapest's Csepel Island docks area that he had worked only 18 days this year because of the disruption. Fellow-sailors on short-term contracts had been let go.

The rows of tied-up boats in the docks and the range of imports on view testified to the importance of cheap Danube transport to Hungary and other land-locked central European areas.

The river's importance is underlined by Wilhelm Nitterl, spokesman for Voer-Alpine Stahl, a steelmaker based in Linz, Austria.

His company would be willing to pay an extra Sch20 a tonne to import Ukrainian iron ore by rail, rather than by river, he said. That meant an extra Sch1m ($78,750) expenses per month, although the sum was not a serious problem.

Dunaferr, a Hungarian steelmaker, has also announced a switch from high quality, sea-freighted South African ore to lower-quality, rail-borne Russian and Ukrainian ore. Its exports will also have to be rerouted.

The steelmakers at least have a route to market. Slovenske Lodenice, a Slovak company which is Europe's biggest inland shipbuilder, may have to borrow money at 20 per cent interest because it cannot deliver finished vessels.

But the downed bridges may not be bad news for everyone. Croatia's port of Rijeka and Koper, in Slovenia, are likely to experience booms from rerouted traffic. But the overall picture is unhappy.

Marginally viable industries such as Hungary's agriculture, which depends heavily on the Danube as an export route, are ill-placed to absorb higher costs.

The blow comes when Romania, faced with a possible debt repayment crisis, is in no need of further problems. The same goes for Ukraine, struggling to recover from last summer's Russian currency crisis.

Observers hope Bulgaria's new reform programmes are not knocked off balance by the disruption to trade. All look like paying a high price for a few hundred tonnes of metal and concrete brought down into a river.

Additional reporting by Robert Anderson

Employment pact 'long way off'

By Peter Norman in Dresden

With less than seven weeks to go before the European Union's June summit in Cologne, the member states have a long way to go before they can fulfil their promises and produce a clear and coherent employment pact.

In discussions among finance ministers at their informal weekend "Ecofin" meeting in Dresden, the ideas for cutting unemployment and promoting growth seemed as many and varied as the 15 member states.

Gordon Brown, the UK chancellor of the Exchequer, enthusiastically promoted Britain's philosophy of structural economic reforms in labour, capital and product markets aimed at boosting competitiveness and lowering the costs of employment.

Dominique Strauss-Kahn, the French finance minister, tabled a host of suggestions ranging from closer economic policy co-ordination and "tax harmonisation" to the launch of "an ambitious European initiative on the information society".

Hans Eichel, Germany's new finance minister, who hosted the meeting, pinned his faith on a "macroeconomic dialogue". He proposed a forum in which labour, management, representatives of governments, monetary policy makers and the European Commission would try to reach a policy mix to promote growth and jobs. Ideas could then be exchanged at a political level, possibly with the finance ministers at their twice-yearly informal Ecofin meetings.

For Mr Eichel such talking shops could promote "tension-free interaction between wage trends, finance policy and monetary policy" while guaranteeing the independence of the European Central Bank and the autonomy of trade unions and employers to set wages.

But while Mr Eichel insisted that the employment pact should not entail the creation of new institutions, some of Mr Strauss-Kahn's ideas appeared to point in that direction.

The euro-11 committee of finance ministers from the single currency area, which meets each month to co-ordinate policy, was "the precursor of a European economic government", he declared.

France seeks better co-ordination

Dominique Strauss-Kahn, the French finance minister, proposed strengthening economic policy co-ordination among the euro-11 countries belonging to the single currency, writes Peter Norman.

He called for better EU statistics, greater economic expertise in the European Commission, and the appointment of a "chief economist" to improve understanding of economic developments in the euro area.

He urged better fiscal policy co-ordination through multi-annual programmes to allow governments and the European Central Bank to anticipate each others' policy choices.

Italy set to launch drive to finance public works

By Nicholas Timmins, Public Policy Editor

The Italian parliament today starts debating a bill that could launch a large programme of privately financed public works.

Initial projects, which should be agreed by January next year, include proposals for the private sector to build and operate two motorways, one of them a 400km stretch between Salerno and Reggio Calabria in the south.

A rolling programme of bids for privately funded public works will also be drawn up by local authorities and government departments amid calculations by the government that €63bn ($67bn) of infrastructure works is needed in the south of Italy alone over the next decade.

Key projects are likely to include roads, bridges, port developments and sewerage works.

"Italy has been very slow in accepting private money for public works and we need to catch up," Fernando Carpentieri, the director in the Italian treasury in charge of public/private finance, told a conference organised in Rome last week by the journal Project Finance International.

The motorways, already approved, are seen as the pilots for a much more ambitious programme, he added, using project finance either on its own or supplemented by public money.

Given Italy's public debt and the borrowing limitations set by joining European monetary union, politicians, bankers and treasury officials say Italy has no choice but to use private money for public infrastructure on the lines of the UK government's private finance inIAtive and Portuguese and Spanish use of similar programmes for toll roads and bridges.

The bill before parliament today aims "to eliminate legal and regulatory obstacles" to public/private partnerships, Dr Carpentieri said, including allowing creation of special purpose vehicles to fund and run the projects.

FINANCIAL TIMES
Published by The Financial Times (Europe) GmbH, Nibelungenplatz 3, 60318 Frankfurt am Main, Germany. Telephone ++49 69 156 850, Fax ++49 69 596 4481. Represented in Frankfurt by Colin A. Kennard as Geschäftsführer and in London by David C.M. Bell, Chairman, and Alan C. Miller, Deputy Chairman. The shareholder of the Financial Times (Europe) GmbH is Pearson Overseas Holdings Limited, 3 Burlington Gardens, London, W1X 1LE. Shareholder of this company is Pearson plc, registered at the same address

GERMANY:
Responsible for Advertising content: Colin A. Kennard. Printer: Hürriyet International Verlagsgesellschaft mbH, Admiral-Rosendahl-Strasse 3a, 63263 Neu Isenburg ISSN 0174 7363. Responsible Editor: Richard Lambert, c/o The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL.

FRANCE:
Publishing Director: P. Maraviglia, 42 Rue La Boétie, 75008 PARIS. Telephone (01) 5376 8254, Fax (01) 5376 8253. Printer: S.A. Nord Eclair, 15/21 Rue de Caire, F-59100 Roubaix Cedex 1. Editor: Richard Lambert. ISSN 1148-2753. Commission Paritaire No 67808D.

SWEDEN:
Responsible Publisher: Bradley P Johnson. Telephone +46 8 791 2345. Printer: AB Kvällstidningen Expressen, PO Box 6007, S-550 06, Jönköping.

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EBRD shifts focus in its Russian lending

By Arkady Ostrovsky and Stefan Wagstyl in London

The European Bank for Reconstruction and Development is adjusting to the Russian financial crisis by shifting its focus from long-term project finance towards providing short-term working capital to Russian exporters.

The bank has traditionally provided long-term capital for Russian manufacturers, but it was pushed into a net loss of €261.2m ($278m) last year as a result of the Russian crisis. This made it look for more secure and shorter-term lending, according to Reinhard Schmoelz, head of the EBRD's Russian team.

Mr Schmoelz, speaking during the bank's annual meeting which opened in London yesterday, said: "Business is not normal in Russia."

The level of lending to Russia is running well below that of last year with only one project secured so far, against nine projects for the same period last year. Nicholas Stern, chief economist for the EBRD, said the bank would continue to invest in Russia but the volume of its investment would depend on the business climate.

Some Russian companies indicated their main problem was in obtaining long-term finance. An official at Norilsk Nickel, the world's largest nickel producer, said the company had sufficient revenues to finance itself in the short term but was looking for longer-term finance. The company recently announced plans to invest $2bn-$3bn in the next 10 years, mainly in mining.

Mr Schmoelz said the EBRD would soon announce its first pre-export finance project, which would provide working capital of $15m-$20m, probably for a Russian oil exporter.

Ron Freeman, co-chief executive for Europe at Salomon Smith Barney and former first vice-president of the EBRD, said the real challenge was to provide working capital not for exporters of raw materials but for Russian companies that could manufacture and export value-added products, such as rocket engines or machine tools.

But Mr Schmoelz said the programme was the first step aimed at kick-starting commercial lending to Russian small and medium-sized businesses. A spokesman for one large Russian industrial company said the EBRD was caught between a rock and a hard place: on the one hand, no Russian company could meet its requirements for long-term finance; on the other, a termination of its operations in Russia would make the EBRD redundant.

Mr Freeman said: "EBRD is being pressured to turn away from Russia. But if you turn away from Russia you may as well close down the EBRD."

Mr Freeman warned that Russia would face isolation if it allied itself militarily with Serbia. "Russia must not tie up its foreign policy with Serbia. If it did so, the political masters of the EBRD as well as the IMF and the World Bank would take a time out."

Mr Schmoelz also indicated the EBRD's ability to attract Russian commercial banks into joint projects had been hampered by the acrimonious restructuring of the country's domestic debt, GKOs held by foreign banks.

Mikhail Kasyanov, the first deputy finance minister, said yesterday Russia would not extend its deadline for restructuring of GKOs, which some foreign banks requested.

He said Russia would not default on its international bonds, but would seek restructuring of its Soviet-era debt from the Paris Club of sovereign creditors and the London Club of commercial creditors. Russia would start restructuring talks with the London Club today.

Berezovsky flies back after arrest warrant dropped

By Charles Clover in Moscow

The financier Boris Berezovsky, target of an anti-corruption drive by the Russian government, flew back to Moscow yesterday after a warrant for his arrest was dropped last week.

He had been in France when the arrest warrant was issued earlier this month in connection with alleged shady business dealings.

The Russian prosecutor general's office still wants to question Mr Berezovsky but he said before leaving yesterday he was "absolutely calm because there was nothing to be guilty about".

Mr Berezovsky is one of a group of Russian "oligarchs" who financed President Boris Yeltsin's 1996 election campaign and benefited from government favours.

But after Yevgeny Primakov's appointment as prime minister last autumn the government began to investigate Mr Berezovsky as part of a wide-ranging anti-corruption campaign.

Mr Primakov's eagerness to pursue Mr Berezovsky has already led to a worsening of relations between himself and President Yeltsin, and earlier this month the two publicly exchanged verbal barbs.

Constitutional change for Swiss

Swiss voters yesterday gave qualified backing to a new-look constitution in a vote which sees the end of the traditional requirement for the Swiss franc to be backed by gold, AP reports from Geneva.

The modernisation of the 125-year-old constitution, supported by all the main Swiss political parties and expected to pass easily, remained in the balance until late results came in.

Some 59 per cent of voters – 969,400 people – approved the new document, which in addition to abolishing the gold standard enshrines in law new rights, including the right to strike and the principle of equal opportunities for the handicapped.

But 12 of Switzerland's 26 cantons (states) voted against the proposal, which needed a majority of both voters and states to pass. Some 669,200 people (41 per cent) rejected it. The strongest opposition came from voters in Switzerland's rural heartland.

A relieved Arnold Koller, justice minister, said the result was "a big step" which was hard for many to take but would make "an important contribution to strengthening national unity".

With the requirement to back the Swiss franc with gold removed, the government plans to use 1,300 tonnes of gold, half the Swiss National Bank's 2,600 tonnes of reserves, to underpin the currency.

It plans to sell some reserves to finance a SwFr7bn ($5bn) foundation to aid victims of genocide, war and natural disasters. The foundation is unrelated to Swiss banks' settlement last year with Holocaust survivors, but would be open to Holocaust-related projects.

Pipeline opens way for Caspian riches

Azerbaijan and Georgia have co-operated in a project that will yield oil transit fees and boost their power, writes Jeanne Whalen

Heads of state and oil barons gathered at Georgia's Black Sea port of Supsa at the weekend to celebrate the opening of an 830km pipeline which represents a rare joint achievement by the often quarrelsome governments and companies around the Caspian Sea.

Completion of the pipeline, stretching from Baku in Azerbaijan through the mountains of Georgia and out to the Black Sea, will also boost the power and independence of the Caucasian nations that built it, accelerating their move towards western oil dollars and away from Russia.

Standing among the Supsa terminal's steel storage tanks as snipers kept watch over the crowd, Georgia's President Eduard Shevardnadze said the pipeline marked a turning point in the revival of the ancient Silk Road trading route connecting Asia to Europe.

"Georgia doesn't view the project merely from the point of view of its economic benefits," he said. "It is even more important as a brilliant example of wide regional co-operation."

Georgia will earn $7m and Azerbaijan $10m a year in oil transit tariffs from the pipeline, which will export 5m metric tons of crude a year.

Both countries, along with the US government, are lobbying for construction of a second, bigger pipeline that would carry oil through their territories and down to the Turkish port of Ceyhan on the Mediterranean.

Azerbaijan's President Heydar Aliyev used the ceremony to defend his government's estimates of oil and gas reserves in his country's sector of the Caspian.

These have been called in to question in recent months with the withdrawal of two production consortia from the region.

Mr Aliyev said "enemy circles" had spread messages that Azerbaijan "had misinformed the world" about its Caspian Sea oil.

Azerbaijan, he added, was ready to sign three new contracts with American oil companies.

Completion of the Baku-Supsa line gives the Azerbaijan International Operating Consortium (AIOC), the main producer in the western Caspian, a welcome alternative to its existing pipeline.

This travels north through the troubled Russian republic of Chechnya and has been shut down in recent months during disagreements between the Chechens and the Russians over pipeline revenues.

By late May the AIOC will be pumping enough crude to fill the Baku-Supsa line to capacity.

Although the race to extract Caspian crude has subsided since the fall in oil prices, additional export routes need to be selected.

Several parties used the Supsa ceremony to push for the controversial Baku-Ceyhan line.

A working group, including oil companies and the governments of Turkey and Azerbaijan, agreed two weeks ago to draft a rough construction plan within three months.

"I think that we found that over the last few months the western investors are now seriously negotiating with respect to the pipeline," said Richard Morningstar, the US government's special envoy to the Caspian.

"With the incentives Turkey is offering, there is no reason why it can't become a reality."

However, many producers privately argue that the route, which could cost between $2.4bn and $3.7bn to build, fulfils the policies of the Washington government more than their own economic interests.

They maintain that a pipeline south through Iran would prove a less expensive alternative.

NEWS DIGEST

EARLY LEAD FOR ECEVIT

Turkish poll hope for end to political instability

Turkey's 37.5m voters yesterday voted in an election that will determine whether the country can make a break with political instability and double-digit inflation.

The country's first combined general and local elections will return either a strong two-party coalition or an even more unwieldy parliament than the present assembly.

Early returns show the Democratic Left party of Bülent Ecevit, the caretaker prime minister, has pushed ahead of Virtue, the Islamist party.

With less than 1 per cent of the vote counted, the ultra-nationalist National Action party recorded a surprisingly large showing, making it the third largest party after Virtue, which according to early results also trailed the centre-right Motherland of Mesut Yilmaz, former prime minister. With 17.5 per cent of the electorate still undecided on the eve of the poll, voters' distaste for the country's squabbling politicians – represented by 20 different parties – is countered by the fact that voting is compulsory in Turkey. **Leyla Boulton and Anatolia News Agency, Ankara**

RESPITE FOR MARKETS

Euro holiday on December 31

The final day of this year will be a bank holiday in the European Union, at least for transactions in euros, to give financial markets more time for last minute measures to cope with the Year 2000 problem.

EU finance ministers agreed at the weekend that transactions "at least" in euros should neither become due nor be enforceable on December 31 to help market operators complete the full back-up of all computer systems before midnight and minimise the risks for Europe's financial industry. **Peter Norman, Dresden**

PROPORTIONAL REPRESENTATION

Italians vote in referendum

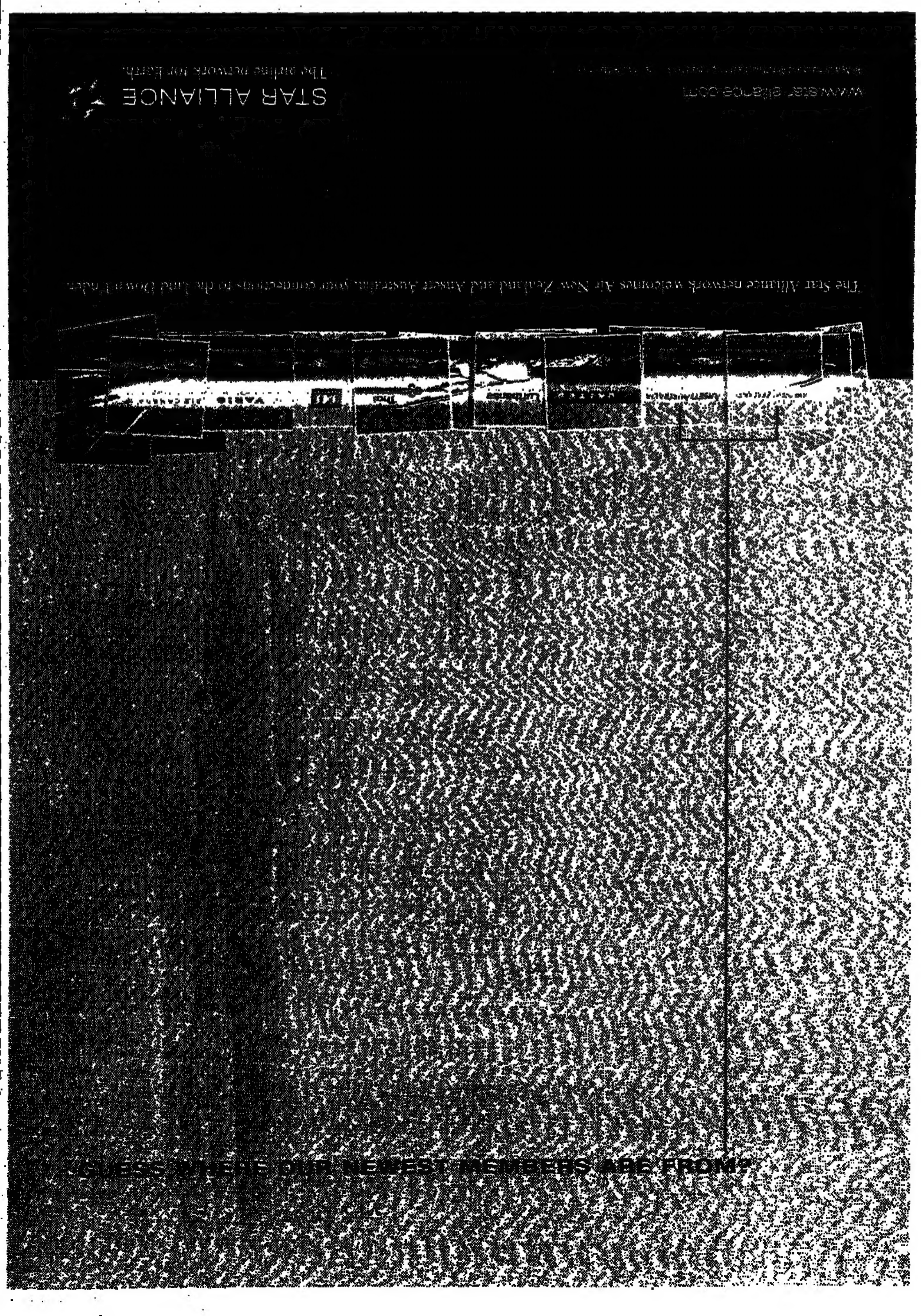
Italians yesterday voted in a national referendum on whether to remove the remaining element of proportional representation from their electoral system.

After half a century of chronically unstable government, voters were being asked whether to back the elimination of the remaining element of PR, moving the country further towards a "first past the post" system.

Those backing reform of the system need to secure more than 50 per cent of the vote to make the change. More than half of Italy's 40m eligible voters must take part in the referendum for it to be valid.

Under Italy's current electoral law, 75 per cent of seats are elected to the chamber of deputies on a first-past-the-post basis.

The remaining 25 per cent are chosen by PR, which reformers say allows too many small parties to get into parliament. **James Blitz, Rome**



ASIA-PACIFIC

E Timor talks in jeopardy

By Sander Thoenes in Jakarta

Talks this week at the *United Nations on the future* of East Timor were put in jeopardy by an escalation of attacks on pro-independence activists that left at least 14 *people dead at the weekend.*

Indonesian soldiers and police stood by cheering on Saturday as pro-Jakarta militia attacked the house of a prominent politician who favours independence, killing *his son and at least 12* refugees who had taken shelter there. Foreign correspondents on the spot reported up to 30 dead but the militia removed some of the bodies from the house, complicating *the death count.*

At least one man died in a clash between youth gangs, as militia roamed the city *unchecked despite the pres*ence of more than 10,000 regular troops in East Timor.

Indonesia came under heavy criticism from the US, *Australia and a host of Euro*pean countries yesterday, while David Andrews, the Irish foreign minister, who witnessed the clash in Dili, urged the UN to send in peacekeeping troops.

John Howard, Australian prime minister, said: "I am very concerned at the way in which the situation has deteriorated and the Indonesian government cannot escape responsibility for at least *some of that, if not all of it."*

The Saturday massacre, following almost daily clashes and a massacre of 25 *pro-independence Timorese* by militia earlier this month, confirmed suspicions the Indonesian military tacitly supports the militia. The *local governor, installed by* Jakarta, attended a rally of militia which later went on a rampage.

Jose Alexandre "Xanana" Gusmao, the jailed rebel leader, had urged his people *to defend themselves and* some have initiated clashes, but the few hundred guerrillas he commands have not come down from the mountains *to stop the militia, and* civilians are poorly armed.

*Indonesia condemned the violence and denied organis*ing it. "It's our responsibility because we are the only ones here," said Dewi Fortuna Anwar, an aide to President B.J. Habibie. "*We condemn* the act of violence...and we hope that it won't disturb the agenda for the [next week's] meeting of foreign *ministers."*

Ali Alatas, Indonesia's foreign minister, is due to present an autonomy proposal for East Timor to his Portuguese counterpart, Jaime Gama, at United Nations-sponsored talks this week.

East Timorese are widely expected to reject any such proposal and Mr Habibie has pledged to let the territory secede if that were the case.

Congress sees Gandhi as new coalition leader

By Mark Nicholson in New Delhi

Sonia Gandhi: likely to lead next Indian government AP

If India is soon to have an Italian-born prime minister, as appears possible after Saturday's parliamentary defeat of the Bharatiya Janata par*ty-led coalition, it is perhaps* appropriate that Indian politics have never looked more Italian.

Whatever new government may arise from the wreckage of Saturday's confidence vote, which the coalition lost by a single vote, it appears *likely that it will be led by* Sonia Gandhi, the Italian-born widow of Rajiv Gandhi, the Congress party prime minister assassinated in 1991. It would be India's sixth government in three years – a record unrivalled lately even in Rome.

*Indian political commenta*tors never tire of pointing out that there is nothing inherently unstable about the country's democratic system. Indeed, political representation of India's multifarious regions, castes, ethnic and linguistic groups is *increasing. But this trend* has seen the erosion of support for Congress, which has governed for 45 of India's 51 independent years, and the rising power of a plethora of small regional or caste parties, whose political *shifts* and demands have created the present epidemic of government instability.

The question now is whether Congress can patch together some alternative within the next few days, and indeed whether Mrs *Gandhi is up to the task of* managing such a coalition, where small parties, and especially Jayaram Jayalalitha, the mercurial former movie star and leader of the 18-member AIADMK party from Tamil Nadu, will make similar demands.

Congress leaders and some of their allies claimed they would be able to find enough support among the 40 or so small parties to lay a good claim before the president to form a new administration. But this looked less than cut and dried yesterday. At least one *small communist party* with five deputies, for instance, said that while it voted against the BJP coalition, it would not support a Congress government.

The 114-year-old Congress *party remains far the most* politically experienced outfit in India. Many insiders *believe it would naturally* manage a coalition better *than the BJP, for which this* past 13 months has been its first real taste of governance. But Congress has not yet actually run a substantial coalition, and there are deeper questions about the *ability of Mrs Gandhi to* manage the rough and tumble this would entail.

Since emerging from self-imposed seclusion 18 months ago in an effort to save a fast disintegrating *Congress from political* oblivion, the 51-year-old Mrs *Gandhi has won some admi*ration for imposing discipline on Congress. She had turned its mind from the pursuit of sheer power to policy and, in part, helped it win three critical state elec*tions last November.*

But her political achievements 13 months after becoming president of India's oldest party remain largely within the organisation. When she has been *tested on national politics,* her record is weaker. She is *seen as having blundered* recently by making a *volte face* in party policy towards the imposition recently of central rule by the BJP in the lawless state of Bihar. "Her first political test was Bihar, *and she failed misera*bly," says one Bihar MP, who declares *himself* otherwise a Gandhi admirer.

Moreover, Mrs Gandhi would take the country's helm still as a largely unknown figure to most Indians. She cultivated an *aloof, mysterious manner* before entering politics, one which she has since sought *to retain.*

Yet India's immediate eco*nomic future depends in part* on the restoration of business, foreign investor and market confidence – all of which had shown signs of reviving in the past four months. The Bombay mar*ket's 7 per cent slide on Sat*urday when the government fell is a measure of the importance of finding a stable alternative.

Foreign investment, too, requires some greater measure of stability and consistency of policy. Foreign *direct investment, for exam*ple, is already this year down to just over half last year's levels of more than \$3bn – a tiny figure for an economy of India's size and needs.

There is also a yawning overhang of unpassed legislation, some of it now held up for more than two years by India's stop-go government.

A wider uncertainty is for*eign policy, and in particular* the continuation of a slow *and so far only modestly* successful attempt to reformulate relations with Pakistan, the US and an anxious wider world after the BJP's nuclear test adventure last year. The BJP embarked on *formalised talks with both* Islamabad and Washington, each due soon for further rounds, aimed at restoring relations and confidence.

Since there are no signs a snap election would yield a more decisive verdict, the focus remains on Congress and Mrs Gandhi.

Strike hits Bangladesh ahead of donors' meeting

By David Chazan in Dhaka

A general strike called by *opposition parties paralysed* much of Bangladesh yesterday the day before a key meeting of the country's aid donors in Paris.

Several people were injured when small home*made bombs were hurled at* a bus in Dhaka, the capital, but the violence that usually breaks out during political strikes was muted yesterday.

Donors, including the US, the European Union and the World Bank, have complained that law and order is *deteriorating while the gov*ernment and the opposition remain locked in a sometimes violent power struggle.

Yesterday's strike, which closed most businesses, shops and schools for the eighth day this year, was intended to press demands *for the removal of the chief* election official and an end to what opposition leaders say is the harassment and arrest of their supporters. The opposition also wants the government to improve *security and to end electric*ity and water shortages.

Diplomats said donors were concerned about endemic corruption, particularly in customs and taxation, state-owned industries, the judiciary and the police, who have been accused of *involvement in a number of* killings and rapes.

Mohamed Farasuddin, the central bank governor, said the government had a strong case to put to donors this week. "There may be a per*ception among some devel*opment partners that *reforms are too slow,"* he said, "but the government is doing all it can within the limitations it has."

Mr Farasuddin said the judiciary was being reformed and efforts were being made *to increase government reve*nues. Diplomats estimate that the government lost \$1.5bn last year in unpaid taxes – almost equivalent to the total foreign aid received. Mr Farasuddin said *moves were also under way* to cut banks' bad debts, *which total \$3bn.*

HK's confidence in property returning

But too-fierce bidding at property auctions is the new danger, writes Louise Lucas

After a 12-month lull, the auctioneer's gavel will come down tomorrow on three rather modest plots of Hong Kong land – a couple of urban residential sites and a tiny area of farmland *turned new town in the* remote New Territories.

Land sales were suspended in June last year as part of government efforts to help the falling property market. Restarting the programme *suggests a confidence of* sorts; the danger, agents say, is that developers will seek to boost this (and their own flagging home prices) by bid*ding over-aggressively.*

The temptation to do so is strong: as bidders eye the plots, so the market will be watching the bidders. Active bidding and high prices would give credence to the growing belief that Hong Kong's beleaguered property market is turning around.

If bids are low, the fragile edifice of returning confidence will be hastily blown apart.

Confidence in recent weeks has been bolstered by successful sales of apartments, price wars in mortgages and a cut in interest rates. The auction suggested confidence even before it took place, when the government, at the request of developers, added a third plot to the two scheduled sites.

As a pillar of Hong Kong's economy, property is a bellwether, and a catalyst, of the *wider environment. Rising* asset prices create a feel-good effect that spills over into consumer spending. When property prices began to slump in October 1997, the whole economy shrank with it.

The Asian financial crisis, which left Hong Kong with an intact fixed exchange rate but severe wealth depletion, *served as a warning against* an asset-driven economy. It is a warning the government is determined to heed.

Property cannot be divorced from Hong Kong's overall economy, as the latest glimmers of optimism show. Signals of stabilisation in the property market have been accompanied by busier bars, fewer sale signs in department stores and bigger taxi queues.

"The key is confidence," says Adrian Ngan, head of Hong Kong research at BNP Prime Peregrine. "I'm sure confidence is coming back among Hong Kong citizens."

Martin Tacon, property analyst at CSFB in Hong Kong, cautions that while some signals are positive, "sentiment can turn on a sixpence and can just as quickly turn the other way."

Confidence is more muted among those developers launching new developments *at sharply discounted prices.*

Next week Wharf (Holdings) will sell 48 flats at an 18 per cent discount to the development cost. Cheung Kong undercut market expectations by 21 per cent *for its similarly sized sale* which will take place the same day.

"There are conflicting messages coming through from the market," says Mr Tacon. "We've definitely seen an improvement in confidence and secondary market activity since lunar new year [February 16]; but in the primary market, developers are still pricing below the secondary market."

Developers *are right to* show caution. The sudden collapse of prices has left many home owners with negative equity, including speculators waiting for the first opportunity to offload their luckless investments on to the market. New developments are also in the pipeline.

These factors are likely to keep property prices flat rather than send them substantially higher, says Mr Tacon. He adds that developers expect property prices will rise and fall some 5-10 per cent over the next two years.

Instead, confidence is *being fuelled by the banks* who have entered a new round of aggressive price-cutting in an attempt to sell mortgages.

In addition to low funding costs, now at pre-crisis lev*els,* buyers are looking at infinitely more affordable homes, which have roughly halved in price since the 1997 peak.

Michael Leary, property analyst at Lehman Brothers in Hong Kong, calculates that mortgage payments would now take up 30 per *cent of household income,* a complete reversal from 1997, when families would be left with roughly that amount after paying the mortgage.

Banks have their own reasons for courting home-buyers. The financial crisis taught the banking community that while China and *corporate lending* can prove damaging to profits, mortgages are a relatively safe business. The proportion of defaulting mortgages is less than 1 per cent.

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World Bank set to vote on Jakarta loan

By Nancy Dunne in Washington

The World Bank is preparing to vote next month on a controversial $600m Indonesian social safety-net loan which has been delayed by concerns that much of the money could be lost to corruption.

The bank has been under pressure from the International Monetary Fund to proceed with the loan, as part of the IMF's stabilisation agreement negotiated last year.

But many observers in non-governmental organisations and opposition parties are concerned that the funds could be used to sway Indonesia's first elections in four decades, due in June.

Bank officials say that only half the loan will be disbursed in the first phase of the project, and Jakarta is unlikely to meet all the bank's conditions before the election in any case.

Negotiations are still under way over mechanisms to safeguard the money. "The bank has a good feeling that things are on track," said one official.

Under the stabilisation package agreed between the IMF and Jakarta, the World Bank was to provide $3bn in lending for the fiscal year that ended last month.

The bank cut $1bn from its commitment in December on the grounds that Indonesia's fiscal deficit was less than expected. It disbursed $1bn, but held off on approval of $1.4bn in new loans because Jakarta was making slow progress on reforms.

Last week, the IMF complained about delay in its report on consultations with Indonesia. It noted the relatively low level of disbursements from other multilateral bodies which raised issues of burden sharing.

It urged the importance of avoiding delays in the disbursement of official external financing, especially in the next few months when private capital inflows are not expected.

At the same time, the bank staff have also been under pressure from James Wolfensohn, president of the World Bank, who has made the fight against corruption a top priority.

A bank report in October confirmed earlier studies, calling corruption in Indonesia pervasive, institutionalised and a significant deterrent to overall growth.

It claimed that practically all of Indonesia's key institutions were involved, and found that various government agencies had informal systems for allocation of diverted funds.

The report made a number of recommendations about reducing leakage of funding, but warned that it was not realistic to assume total elimination of corruption and its adverse impacts on projects in Indonesia and elsewhere.

The bank also has as a concern the reduction of poverty. In a letter to 112 non-governmental organisations worried about the possibility of corruption, Jean-Michel Severino, the bank's vice-president for East Asia and Pacific Affairs, said the bank had a rare opportunity to fix some of Indonesia's core structural problems.

"The toll of human suffering is too great for us to turn away in Indonesia's hour of need," he said.

In 1997, Mr Severino denied reports that bank funds had been siphoned off by Indonesian officials, insisting that any such evidence would be followed by swift action.

Last December, he said that the social safety-net loan would safeguard social spending with better design and transparent monitoring by civil society.

Indonesia has denied corruption but has admitted a need for improved monitoring of spending.

Algeria's one-candidate election leaves army as dominant force

Algerian papers report Abdelaziz Bouteflika's poll victory AP

Most strong political figures have wanted to cut military power, writes Roula Khalaf

Algerians often say that while states usually have armies, in their country it is the army which has a state.

If last week's surreal election had a message – it went ahead with one candidate supported by the current regime, after six rivals pulled out citing massive fraud – it was that the army would remain the dominant force in Algerian politics.

For months leading up to the election, the big guessing game in Algiers was who was backing Abdelaziz Bouteflika, declared president last Friday.

The army, as an institution, said it would remain neutral. Mr Bouteflika's rivals insisted that he was the candidate of the powerful military security and influential retired generals only, and believed divisions in the regime could make the poll an open one.

By the time the election went ahead, however, it appeared that Mr Bouteflika's backers had managed to bring most of the other parts of the regime on board.

The army, as the strongest national institution, has always mistrusted Algeria's politicians, often looking on them with contempt. Most of the strong political figures in recent years have wanted to reduce the army's power and have attacked its repressive policy in dealing with the seven years of civil strife that has cost more than 70,000 lives.

The army's dominance has its origins in the struggle for liberation, when the political wing of the liberation movement was marginalised. After independence, the Algerian state was built around the army, which provided the fierce authoritarian nationalist culture and produced the elite who ran the country.

The first president, Ahmed Ben Bella, was not a military man and he lasted only three years. Post-independence Algeria was shaped by Houari Boumedienne, the then army strongman, who was president from 1965 to 1979.

There was a brief period when the army believed a tactical retreat from the political scene would help maintain its cohesion. After the 1988 riots, in which security forces opened fire at protesters, the army's prestige was so tarnished that the military opted for a political liberalisation.

However, in the following years of unfettered democracy, a populist Islamist movement gained strength. When the Islamic Salvation Front (Fis) appeared on the verge of winning a majority of seats in the 1991-1992 parliamentary elections, the army stepped in and cancelled the poll.

Observers say the army as an institution does not necessarily have a problem with political Islam. The Fis's radicalism, however, threatened to shatter the old order and make senior officers it accused of corruption pay for their alleged sins.

The military establishment's strategy since the cancellation of the 1991 poll has been to use force to eliminate Islamist armed groups while rebuilding a democratic facade.

The institution known in Algeria as *la grande muette* – the great silent one – is hardly ever heard of or written about. Its opacity makes reading its intentions difficult. Its various factions are based on historical and regional alliances that also shift depending on the circumstances. Senior officers retire but continue to wield influence and affect decision-making, muddying the picture even further.

In the campaign for last week's presidential poll, the army's role in politics became the subject of public debate for the first time. Although none of the six candidates who pulled out of the race was calling for the troops' return to barracks, several opposition candidates wanted a real but gradual transition to civilian rule and argued this was the only way to make the state accountable to the people.

Some politicians now say the reactions inside and outside Algeria to the election could lead to renewed divisions within the regime. Others predict that, with a new president, the military establishment may try to clean up its image after the election by allowing part of the now weakened Fis to return to the political scene.

For now, the six believe they have at least scored a point by unmasking the real nature of the regime. One of them, Ahmed Taleb Ibrahimi, said: "We have smashed the fake picture of the *pouvoir* [the military establishment] which hides an oppressive reality behind a mask of democracy."

NEWS DIGEST

INVESTMENT BANKING

ING Barings to close its branch in North Korea

ING Barings, the Dutch investment bank, is to close its branch in North Korea. Pyongyang-based ING Northeast Asia was established in 1994 in a joint venture with Korea Foreign Insurance, which holds a 30 per cent stake.

The bank's closure will mean that North Korea MUST rely on a few banks in Japan and Macao to conduct its international banking transactions.

Foreign aid agencies, including the World Food Programme and the United Nations Development Programme, were the main customers of the bank as they deposited funds in a humanitarian effort to feed North Korea's starving population.

ING opened the bank when optimism was growing for increased foreign investments in the North, but they have failed to materialise. **John Burton, Seoul**

MALAYSIAN POLITICS

Protests over Anwar continue

The Malaysian government called on its people to confine their discontent with the administration to the ballot box after demonstrators continued to pour into the streets of the capital at the weekend, burning flags of the ruling coalition in protest at the jailing of Anwar Ibrahim, the sacked deputy prime minister, for six years.

Ninety-four people were arrested, including students, university lecturers and civil servants. "We do not sympathise with those who resort to actions which jeopardise peace and stability of the country," said Abdullah Ahmad Badawi, who replaced Mr Anwar as deputy prime minister.

R. Chelvarajah, head of the Malaysian Bar Council, expressed the group's concern with the trial, which ended on Wednesday, when Mr Anwar was convicted of abusing his power to conceal alleged sexual misdeeds.

The council was disturbed that the seven months Mr Anwar had already served in jail did not count towards his six-year term. Mr Chelvarajah expressed concern that Mr Anwar's case had been heard by what he called "a junior High Court judge elevated just months before".
Sheila McNulty, Kuala Lumpur

EGYPTIAN ISLAMISTS

Militants get death sentence

Nine Islamic militants were yesterday sentenced to death by an Egyptian military court at the end of a trial of 107 militants, 60 of whom were tried in absentia, including those to be executed.

All but one of the defendants were accused of belonging to the Jihad Islamic organisation, whose followers assassinated President Anwar Sadat in 1981. The verdicts, in what is the biggest trial of Islamic militants since the assassination, brought the harshest range of sentences yet applied by the military court. Egypt has hanged 68 of the 90 people found guilty of crimes related to militant violence since 1992.

Among those tried in absentia was Yasser el-Sirri, a London-based Islamic militant already facing a death sentence in Egypt. Also found guilty was Ayman al-Zoheiri, the leader of Jihad. He is thought to be in Afghanistan, where he is a close associate of Osama Bin Laden, the Saudi Arabian Islamic militant.

Defence lawyers and the Egyptian Organisation for Human Rights criticised the verdicts, claiming there was insufficient evidence against the accused, many of whom had been held without trial for several years.
Mark Huband, Cairo

MONEY LAUNDERING INTERNATIONAL SUSPICIONS UNABATED DESPITE THE CARIBBEAN ISLAND'S PROMISED OVERHAUL OF ITS FINANCIAL RULES

UK banks warned over dealings with Antigua

By George Graham in London and Canute James in Kingston

The British government last night warned UK banks to be on their guard when dealing with financial institutions from Antigua.

The Caribbean island had on Friday announced an overhaul of its banking supervision board and promised to improve its money-laundering legislation.

Although the UK Treasury welcomed Antigua's promised overhaul of its financial services rules, its announcement implies that international suspicion about the island financial centre continues unabated.

The US Treasury had already issued a warning to US banks on dealings with Antigua, which joins the Seychelles and Austria as the only two countries singled out for criticism by the international community because of their money laundering rules.

The US State Department identified Antigua in a recent report as a money-laundering centre and a key transit point for South American cocaine bound for the US and Europe.

In London yesterday Patricia Hewitt, economic secretary to the Treasury, said: "The UK is determined to take a global approach to combat money laundering. As part of the G7 initiative on financial crime, we have signalled our willingness to identify jurisdictions which fail to meet minimum standards."

UK banks are to be encouraged to report any suspicious transactions involving Antiguan institutions to the National Criminal Intelligence Service especially large or unusual movements for which there is no obvious economic purpose.

However, there is no obligation to report all transactions involving Antigua, or to avoid dealings with Antiguan citizens.

The Antiguan government last week named a new board of overseers for offshore banks, replacing members whom the US had accused of being tied to the institutions they were supposed to regulate.

Lester Bird, the prime minister, also promised changes to the island's money laundering legislation, responding to US and UK complaints that it had recently weakened measures intended to stop criminal activity.

He confirmed that Antigua was receiving help from a British Foreign Office consultant.

Antigua has launched several successive efforts to clean up its offshore financial businesses.

It closed down several Russian-owned offshore banks which government officials said had laundered money for the Russian mafia.

But last year it amended its laws again to strengthen bank secrecy and restrict co-operation with overseas law enforcement authorities.

The British government said last night this seriously eroded the ability of Antigua to counter the threat from money launderers.

Antigua also drew the attention of British regulators as the home of the European Union Bank, the subject of a Bank of England warning two years ago after it advertised for deposits on the internet, though it was not authorised in the UK.

The bank has since collapsed.

EU gives Mexico tariffs warning

By Andrea Mandel-Campbell in Mexico City

The European Union has warned Mexico that it must improve its offer on industrial tariff reductions or a fifth round of free trade talks will be suspended until there is "substantive material" to discuss.

The fourth round of talks in Mexico City last week showed the first serious signs of tension since Mexico and the EU began free trade negotiations last November.

Europe proposes immediate market access for 82 per cent of industrial goods, the rest becoming tariff-free in 2003. Mexico is offering immediate access for 47 per cent of products, with 40 per cent of goods becoming tariff-free in 10 years. "We are far too far away to begin substantive talks," said an EU official.

The industrial sector represented 92 per cent of Europe's trade with Mexico; unless progress could be made, there was little point in holding the next round, due next month in Brussels.

Mexico says the Europeans are being inflexible in their goal of reaching parity with the terms of the North American Free Trade Agreement, which will see remaining tariffs between Mexico, the US and Canada phased out in 2003.

Jaime Zabludovsky, Mexico's ambassador to the EU and chief negotiator, denied the next round would be cancelled. He acknowledged "differences", but said a high degree of consensus existed; he thought agreement could be reached by the end of the year.

In the latest round, negotiators agreed on nearly 50 per cent of the rules of origin, and a probable formula for conflict resolution.

At the next round, Mexico faces European demands that tariff rises, introduced by Mexico on imports from countries with which it does not have a free trade pact, be removed immediately.

Argentine crime wave upsets voters

Violence pushes the issue of security up the list of public concerns, as presidential election looms, writes **Ken Warn**

The lament is heard constantly, in bars, on the streets, at dinner parties: "Buenos Aires used to be the safest city in the safest country in Latin America. But now...."

There follows a litany of hold-ups, break-ins, gang raids on smart restaurants or muggings at the hands of armed taxi drivers.

Listeners join in with their own hair-raising experiences. "We are becoming like Brazil," the lament continues, descending into tones of infinite disgust, "or even Mexico."

Argentina's crime wave has pushed the issue of security to near the top of voters' concerns, second only to unemployment. Despite the country's deep recession, some commentators believe October's presidential election could be won or lost on the crime issue.

President Carlos Menem last week sought to counter the growing perception that the battle against crime was being lost, by mobilising the nation's security forces to work with the police.

But in a country that only emerged from military dictatorship in 1983, the deployment of such forces is proving highly controversial.

Mr Menem, barred under the constitution from running for a third consecutive term, announced the measure in a speech with a strong flavour of political campaigning.

"We will act with all our energy to clean up the streets of Argentina," he said. "I am not prepared just to watch citizens die while the politicians talk."

Border and naval guards – heavily armed military police – began patrols in the capital at the weekend. The two forces already play a role guarding some sites from terrorist attack or containing violent protests.

The panic over crime is at its most acute in the capital and Greater Buenos Aires area. Every day, the papers and television give a long list of shoot-outs and violent robberies, which only fuels the jitters.

In a city where people dine late and are used to walking the streets at all hours, a near-siege mentality has taken hold.

Crime statistics are in short supply. But the daily La Nación recently leaked government figures showing that robberies and assaults in the capital had doubled between 1995 and last year to 960,000. Some 58 per cent of people in Buenos Aires province suffered a robbery or assault in 1998.

Carlos Menem has vowed to clean up the streets of Argentina Reuters

As so often in the past, Mr Menem's announcement appeared to wrong-foot the opposition. Fernando de la Rúa, the Alliance presidential candidate, cautiously welcomed the initiative.

But his running mate, Carlos "Chacho" Alvarez, warned: "We should not militarise the conflict. It's not about extermination."

Mr Menem's rival for leadership of the Peronist movement, the presidential hopeful Eduardo Duhalde, said the move was reminiscent of the military dictatorship.

Mr Duhalde, governor of Buenos Aires province, is battling to reform his own feared and distrusted police force, which has been purged repeatedly since 1997.

Unemployment of over 12 per cent, and widening divisions in a society where wealth has been more evenly distributed than is the regional norm, are regularly cited as underlying reasons for increasing crime.

Drug use may also play a part, not least in the growing violence that accompanies robberies.

The country's badly paid, poorly trained, demoralised and frequently corrupt police forces are themselves an integral part of the crime problem.

Detection rates are low and many offences go unreported, while police officers are frequently embroiled in protection scandals, or worse.

"I was mugged in a taxi recently when an armed accomplice of the driver jumped in," said one Buenos Aires resident. "I knew he was a policeman. He had that air of authority."

Uphill task for UN agency chief

By Robert Chote, Economics Editor, in Washington

Mark Malloch Brown, a senior official at the World Bank, is set to be confirmed as the new head of the United Nations Development Programme (UNDP) this week, having promised to restore confidence in the agency's management and focus its efforts on promoting good government in poor countries.

Kofi Annan, the UN secretary-general, asked member countries to ratify Mr Malloch Brown's appointment last Friday, having rejected the European Union's preferred candidate, Poul Nielsen, the Danish development minister.

Barring any unforeseen objections, Mr Annan's recommendation is likely to be approved in the next couple of days.

Mr Malloch Brown's candidacy was backed by the US, even though he is a British national. UNDP has been run by Americans since 1966, but the US had conceded some time ago that the job should go to a European this time.

At present the World Bank's vice-president for external relations, Mr Malloch Brown is a close ally of its president, James Wolfensohn.

Officials believe he will have widespread support from donor countries, having increased the Bank's presence in Europe and helped secure resources for its soft loan operations from the US and Japan. But he faces an uphill task restoring confidence in the UNDP, which faces further budget cuts as donor countries reduce their contributions to its $1bn budget.

Before joining the Bank, Mr Malloch Brown worked with politicians and governments in developing countries at the Sawyer-Miller Group, a political consultancy. He also worked for the United Nations High Commissioner for Refugees, helping to develop strategies for working in emergency situations.

Officials said that Mr Malloch Brown had argued that the UNDP should focus on capacity building and the promotion of good governance in the 134 countries in which it is represented. He also wants to help governments exploit information technology more effectively.

But whatever its strategy, donor countries have also made it clear that they want to see a turnaround in the UNDP's management.

Mr Malloch Brown will replace James Gustave Speth, who is leaving halfway through his four-year term.

Warning on 'Americanisation' of labour market

By Kevin Brown in London

Business leaders have warned the government that a rapid increase in litigation before employment tribunals and civil courts threatens an "Americanisation" of the UK labour market, with serious implications for the efficiency and competitiveness of British companies.

The Confederation of British Industry has said companies are increasingly concerned about the growth of individual workplace rights enforceable in the courts, the "fuzziness" of much legislation and the prospect of further European Union legislation. "This is an Americanisation of the labour market," said John Cridland, senior CBI official responsible for employment policy. "It is the replacement of a collective conflict resolution culture by an individual culture."

The growing importance of individual rights may improve workplace relations in some areas, but it placed huge costs and constraints on managers who had to keep the possibility of court action in mind, he said. "Badly crafted, conceptually fuzzy law produces uncertainty, and companies say their managers must not be too pro-active – they find they have to start keeping a lot more records and taking a lot more advice from personnel departments. You are bringing law into areas which are better left to custom and practice."

The CBI warning, delivered to several government departments including the trade and industry and employment and education departments, coincides with evidence published today by the Centre for Policy Studies that the "culture of compensation" is costing the public sector up to £3.1bn ($5bn) a year in settlements.

The CBI said companies were not opposed to legislation intended to combat discrimination. But ministers determined to maintain flexible labour markets might not realise the long-term damage that could be done by rights legislation.

Regulations enforceable in the courts include those concerning discrimination on grounds of gender, race, sexual orientation and disability; the working time and minimum wage regulations; and unfair dismissal rules.

The government is consulting on ways to strengthen race and gender equality rules, a code of practice on age discrimination is under consideration, and the European Commission is considering race and equality directives.

Lawyers say companies must also be careful in more general areas of law, such as data protection and public interest disclosure, and should monitor the incorporation into UK law of the European Convention on Human Rights.

The CBI has demanded greater clarity in future legislation, and suggested some existing law could be "revisited". It said employers were having to wait for case law to determine their responsibilities.

Attack on arms call ahead of N Ireland talks

By John Murray Brown in Dublin

Gerry Adams, the Sinn Féin president, yesterday warned the British and Irish governments that last year's Good Friday peace agreement was "dead" if they persisted in demanding some form of arms decommissioning by the Irish Republican Army before Northern Ireland's new power-sharing executive could be set up.

However, he did not explicitly rule out decommissioning by Sinn Féin's paramilitary ally, as some republican spokesmen have. He insisted only that under the agreement disarmament was not "a precondition" to Sinn Féin members taking seats in the executive.

His comments come ahead of today's London meeting aimed at ending the deadlock. Sinn Féin will join the pro-British Ulster Unionists and the moderate nationalist Social Democratic and Labour party in talks with Tony Blair, the UK prime minister, and Bertie Ahern, his Irish counterpart.

Speaking on Irish radio yesterday, Mr Adams said the Good Friday agreement was "in free-fall". He said both governments were "caught on this unionist precondition that the IRA has to do something before the agreement can be implemented. If that persists then the agreement is dead".

Sinn Féin last week flatly rejected the compromise proposed by the two governments, which envisaged Sinn Féin members becoming ministers once the IRA had put some arms "beyond use" as part of a cross-community act of reconciliation to honour all victims of the Northern Ireland Troubles.

According to unionists, Sinn Féin was "close to accepting the principle" of decommissioning during negotiations last week. However, it hardened its position once the joint declaration had been rejected by the Women's Coalition and the Progressive Unionists, a fringe proBritish party.

This week the British government will have to decide whether to make one last push for a breakthrough or to put the process on hold until after the summer marching season, when community tensions rise.

Mr Adams said he would be pressing the British government to set up the power-sharing executive – not to do so was to "play the unionist veto" he said.

David Trimble, the Ulster Unionist leader, has warned against "parking" the process over the summer, for fear of attitudes hardening during the traditional marching season.

SOUTH LONDON ATTACK POLICE RULE OUT INVOLVEMENT OF IRA OR SERB TERRORISTS

Mystery surrounds identity of nail bomber

By Sathnam Sanghera in London

Passing pedestrians treat a man wounded in the Brixton explosion on Saturday Reuters

The identity of those responsible for planting a nail bomb that exploded outside a supermarket on a busy street in Brixton, south London, and injured up to 50 people remained a mystery yesterday.

The police ruled out the involvement of the IRA or "any other known terrorist group" soon after the attack, which occurred at about 5.30pm on Saturday. Yesterday, as forensic teams sifted through the evidence at the scene, the police said they were keeping an open mind about the motive for the attack.

The low-technology of the bomb, made using the kind of techniques easily available on the internet, makes the field of suspects wide. A possible link with Nato activity in the Balkans has not been ruled out, although Doug Henderson, armed forces minister, said there was no evidence of Serb terrorists operating in London.

There was also speculation the device was the work of a lone bomber, animal rights activists, feuding gangsters or white supremacist groups. Jamaican "yardie" gangs, known to operate in the area, are notorious for gun crime and extreme violence, most commonly associated with the drugs trade. Militant animal rights groups have in the past been linked to violent attacks.

In Brixton, which has a high concentration of ethnic minority residents, many people believed the attack was racially motivated. Lee Jasper, a Brixton-based black rights campaigner and race adviser to the government, said: "Whoever placed it in Brixton knew they were going to injure a lot of black people. We could be witnessing a very worrying escalation in the racial violence that has dogged south London in recent times."

Emmerson Webster, a local resident, was worried that Combat 18, the violent white supremacist group, was behind the attack. He said: "I'm not a rocket scientist but it is clear that it was a bomb designed to kill people. The black community will be examining the police's response to this attack very closely."

But Kate Hoey, junior Home Office minister, whose Vauxhall constituency is close to Brixton, said she did not feel racism was the likely motive. "It was so indiscriminate that it might make you feel that that was not the reason. All sorts of people, all ages, all colours, were there," she said.

Many people were wounded by flying nails and shards of glass when the device went off outside a frozen food retailer. Among those most seriously injured was a child who had to undergo complex surgery to remove a 4in nail embedded in his head. The 23-month-old boy was said to be lucky to be alive after almost an inch of the nail lodged in his brain. The attack may also have left two other people permanently blind.

Jack Straw, the home secretary, yesterday condemned the attack as "an outrageous and mindless act".

"It's wicked," said local resident James Murphy. "Why on earth would anyone want to blow up a fruit and veg market, in Brixton of all places?"

EU finance watchdogs 'should co-operate better'

By Jane Martinson in London

Howard Davies, the UK's financial services regulator, has called for greater co-operation between Europe's financial services watchdogs to deal effectively with a rapidly changing industry.

As head of the Financial Services Authority, which regulates a wide range of City of London activities, from banking to insurance, Mr Davies hopes to convince the European Commission to urge greater co-operation between regulators for different industry sectors as well as different countries.

He opposes the creation of a pan-European banking supervisor. Instead he believes consolidation across Europe favours the creation of national regulators to supervise a range of industries.

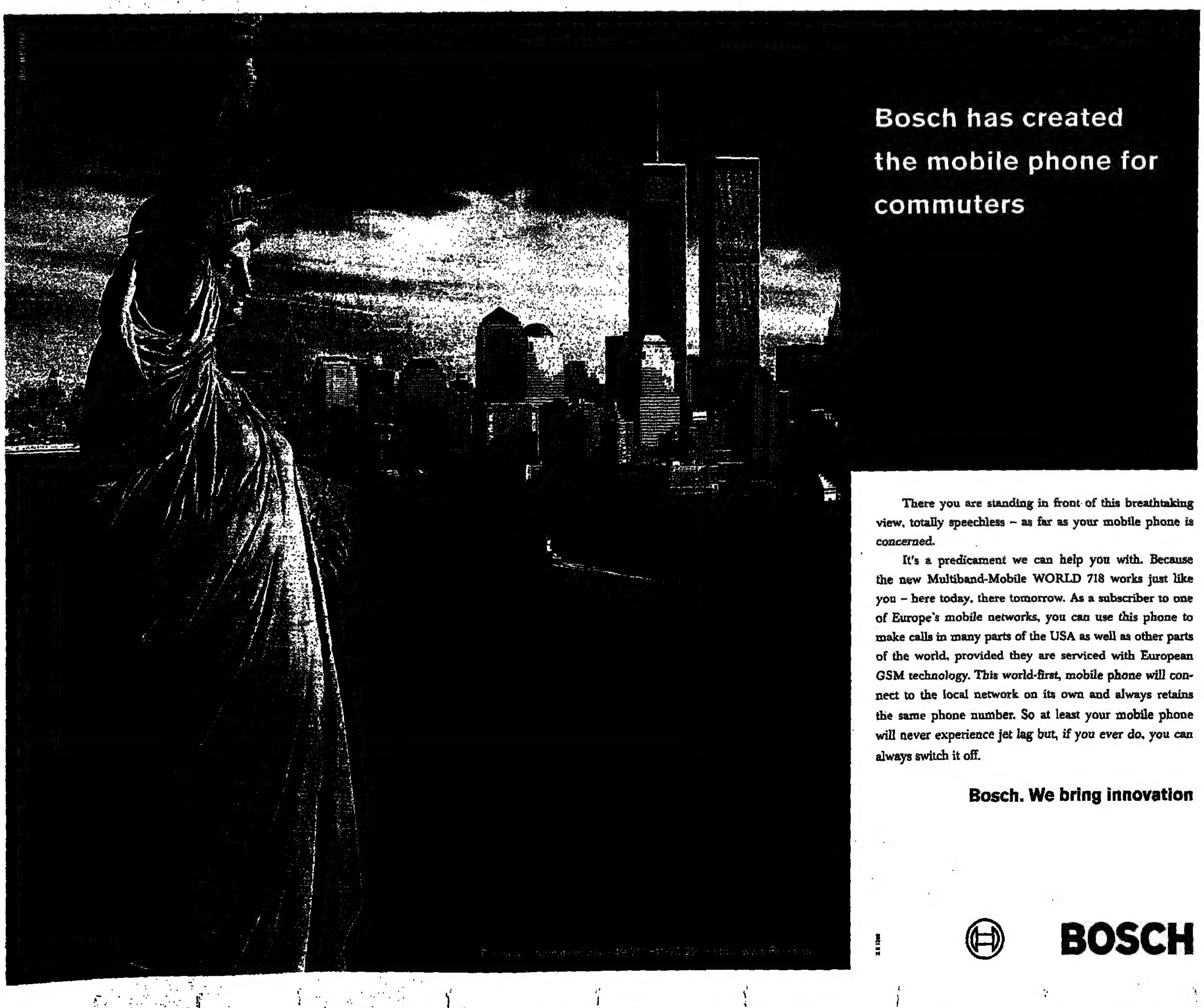
In a speech last week, he said: "As cross-sectoral mergers develop, it would be wrong to recreate at EU level the combined central bank/supervisor model which is increasingly being abandoned in member states."

The mooted tie-ups between three French financial services groups – BNP, SG and Paribas – have indicated the extent of changes in Europe's financial services industries, with large multi-disciplinary groups being formed.

The question of how to regulate such huge financial services groups has taxed politicians and academics alike.

Mr Davies stopped short of advocating the UK model, which combines regulation of most City activities, for all member states.

The European Commission is drawing up a "framework for action" on financial services. Mr Davies called on the Commission to create a flexible system and a coherent policy.



WEEK AHEAD

DIVIDEND & INTEREST PAYMENTS

TODAY

Abbey National Treasury Gtd Cpd FRN 2001 L41598.0
BP Devs Australia 11¼% Gtd Bd 2001 £112.50
Chubu Elec Power 5¾% Nts 2001 $287.50
Daicel Chem Inds 5.6% Bd 2000 Y560000.0
Hongkong & Shanghai Banking Prim Cap Und FRN (Ser 3) $65.63
Hydro-Quebec 11¼% Db Ser HV Apr 2001 £112.50
ICI 19.5p
Renishaw 3.66p

TOMORROW

Asda 10⅞% Bd 2010 £1087.50
BGR 2.3p
Birmingham Midshires Bldg Scty Sb FRN 2005 £1901.65
Budgens 5% Cv Un Ln 2003 £2.50
Hankyu Dept Stores 3% Nts 1999 Y300000.0
Holidaybreak 8.5p
Interior Services 1.5p
Islington 11.9% Rd 2017 £5.95
Lloyds TSB Sb FRN 2008 £15.08
Mitsubishi Elec 3.2% Bd 2000 Y320000.0
Murray Inc Tst 3.9p
Skandia Insce SKr0.9
Tribune Tst 6.45p
Do Idx 4.47p
Yokohama Fin Cayman Gtd Sb FRN 2005 Y366052.0

WEDNESDAY APRIL 21

AstraZeneca 28p
Beradin 3.5p
Treasury 4⅜% IL 2004 £2.6408
Criterion Props 5p
Invesco Korea Tst 0.5p
Lloyds Bank 10⅝% Sb Ln 2008 5.3125p
Mauritius Fd $0.125
Waterman Partnership 1.5p
Westpac Banking Fltg Rate Dep Rcpts 2001 $12.43

THURSDAY APRIL 22

American Home Prods 9.61% Gtd Bd 2007 £240.25
BCH Eurocapital Ser B Gtd FRN N/Vtg Pf $0.82
Canary Wharf Fin Class D Fltg Rate 1st Mtg Db 2020 £85.26
Domnick Hunter 4.752p
Fleming Inc & Grwth Inv Tst 3.15p
French Property Tst 1.25p
Go-Ahead 3.5p
Padang Senang 3p
Partridge Fine Arts 1.5p
Sanwa Australia Fin Gtd Fxd/FRN 2003 $9000.0
Singapore Para Rubber 3.6p
Soundtracs 0.55p
Yokohama Fin Cayman Gtd Sb Fxd/FRN 2003 Y2799.83

FRIDAY APRIL 23

AIM 1.5p
Bestfoods $0.245
Britt Allcroft 0.9p
Commonwealth Bank of Australia Gtd Und Cap Nts $254.36
F & C Enterprise Tst 4.3p
Frogmore Estates 5p
Gearhouse 2.8p
Kleinwort Dev Fd 5p
Kwik-Fit 4.85p
Merivale Moore 1p
M & G Inc Inv Tst 2.7p
Do Geared Units 2.7p
Do Package Units 2.7p
Monsoon 1.5p
M-R 1.35p
Polypipe 1.2p
Quantica 2p
St Modwen Props 2.3p
Tokyo Tatemono 7¼% Bd 2001 Y725000.0
Zotefoams 4.8p

SUNDAY APRIL 25

Conversion 9½% 2004 £4.75

UK COMPANIES

TODAY

COMPANY MEETINGS:
French Property Tst, Princes Court, 7, Princes Street, E.C., 12.00
Waste Recycling, 20, Black Friars Lane, E.C., 10.30
BOARD MEETINGS:
Finals:
Densitron
Harvey Nash
Offshore Tool & Energy
Interims:
Assoc British Foods
Bellway
Ferraris

TOMORROW

COMPANY MEETING:
Access Plus, Access House, The Promenade, Clifton Down, Bristol, 10.30
BOARD MEETINGS:
Finals:
Hughes (TJ)
Versailles
Interims:
Air Partner
Debenhams
McCarthy & Stone
St Ives

WEDNESDAY APRIL 21

COMPANY MEETINGS:
Britannic, Birmingham Botanical Gardens, Westbourne Road, Edgbaston, Birmingham, 10.30
British Vita, Green Street, Middleton, Manchester, 2.30
BOARD MEETINGS:
Finals:
Bank of Scotland
Lambert Smith Hampton
Liberty
United Overseas
Warnford Invs
Interim:
DFS Furniture

THURSDAY APRIL 22

COMPANY MEETINGS:
Britannia, 83, Promenade, Cheltenham, 10.00
Lex Service, Lex House, 17, Connaught Place, W., 12.00
Schroders, 120, Cheapside, E.C., 12.00
BOARD MEETINGS:
Finals:
Plantation & General
Folkes
Havelock Europa
JJB Sports
Princedale
Ted Baker

FRIDAY APRIL 23

COMPANY MEETINGS:
Arriva, Ramside Hall Hotel, Carrville, Durham, 11.30
Orange, BAFTA, 195, Piccadilly, W., 11.30
Wilson (Connolly), Northampton Moat House, Silver Street, Northampton, 12.00
BOARD MEETING:
Final:
World Telecom

Company meetings are annual general meetings unless otherwise stated.
Please note: Reports and accounts are not normally available until approximately six weeks after the board meeting to approve the preliminary results.

This list is not necessarily comprehensive since companies are no longer obliged to notify the Stock Exchange of imminent announcements.

CONFERENCES, VENUES AND COURSES

CONFERENCES

EXHIBITION

VENUES

COURSES

LANGUAGE COURSES

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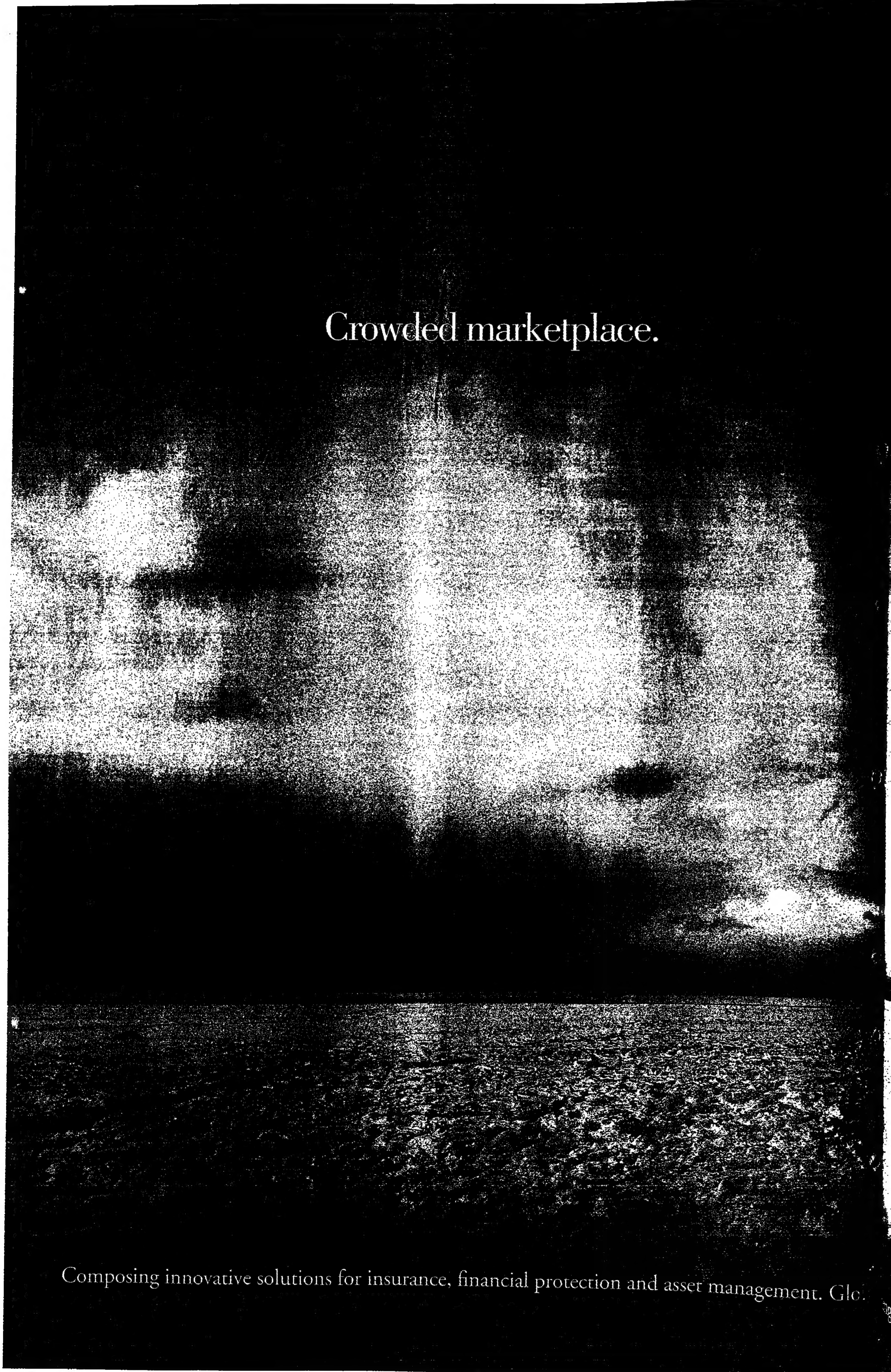
Invensys plc, Carlisle Place, London SW1P 1BX, UK. Tel: +44 (0) 171 834 3848. Web site: www.invensys.com All amounts relate to BTR 12 months to 30th June 1998 and Siebe 12 months to 3rd Oct 1998. Market values as at close of trading on 9th April 1999.

invensys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INSIDE TRACK

PROFILE CHARLOTTE BEERS, J. WALTER THOMPSON

Brand-builder takes on an elegant task

Richard Tomkins on an advertising doyenne who has stepped out of retirement into the chair at an agency at the very top of the industry

Back in the 1970s, before she became the most powerful woman in advertising, Charlotte Beers stumbled upon an interesting distinction between male and female executives.

While still in a relatively junior position at J. Walter Thompson, she took it upon herself to bawl out a client for bad-mouthing the agency's work behind her back, and embarrassed him into an apology.

Afterwards, she says, her boss told her a man would never have done that because men are conditioned to follow aggressive words with their fists, and so tend to be more circumspect. "But since women haven't been taught this," she says, "women are much bolder, verbally."

During a long career in advertising, verbal boldness, reinforced by her Texas origins, has taken Ms Beers a long way. In 1992, it earned her that "most powerful woman" tag when she became chairman and chief executive of the Ogilvy & Mather Worldwide agency, part of WPP, the British holding company that is the world's second largest advertising group.

Then, five years later, she stepped down into what everyone assumed would be a quiet retirement.

Now, remarkably, she's back. At 63, she has returned to another role at the top of the advertising industry: this time as chairman of WPP's other big agency, J. Walter Thompson – the company where her advertising career began.

The appointment has caused a stir on Madison Avenue not just because it has brought Ms Beers out of retirement, but because she is taking over the chairmanship from Chris Jones, the Englishman who rose to become JWT's chairman and chief executive at the age of 41 two years ago.

Mr Jones remains chief executive, but it is hard to ignore the fact that he has relinquished half of his job. And the industry is agog over how the relationship will work out.

One theory is that the two could complement one another quite well. "He gets to run the train set while she's out schmoozing the clients," says an industry insider.

But the boss of a big US advertising agency says: "There's no way she's going to take a back seat. He's toast."

Whatever the outcome, there is a perception that something needed to happen. One of the world's oldest-established agencies, the blue-blooded JWT is sometimes perceived as stuck in the era of the 30-second television commercial at a time when other agencies are offering clients complete brand strategies, deploying an array of advertising and marketing weapons.

The company has also been stung by the loss of some big US clients – most recently, Sprint and Dell.

Mr Jones acknowledges the need for change. "We are absolutely committed to becoming a brand communications agency, not just an advertising agency," he says.

But he would be the first to admit that he has had his hands full, working towards this objective while simultaneously looking for new people and replacing the lost clients.

In fairness to Mr Jones, it should be said that it was his idea to bring in Ms Beers as chairman. At least, he says so: and she bears out his version of events, saying they talked to one another for about a year before she agreed to go back to work.

Their conversations began when the newly-promoted Mr Jones, re-based to JWT's New York headquarters, found himself looking for advice. WPP's chief executive, Martin Sorrell, suggested Mr Jones should call Ms Beers – at the time, still notionally on WPP's payroll as chairman emeritus of Ogilvy & Mather – and the relationship grew from there.

Ms Beers and Mr Jones are at least starting out on the right foot. They speak highly, almost gushingly, of each other ("We feel like we've been in work together for years," says Ms Beers) and they seem to have the same sort of ideas about how their roles will intertwine: Mr Jones managing the agency while Ms Beers indulges her strongly avowed passion for brands.

"As Chris says, there's plenty to do," says Ms Beers, whose office is beside Mr Jones's. "I'm going to be less involved in operations. And I will probably not be involved with clients who think their business is going wonderfully, because why would they need me?"

On the other hand, she hopes to be closely involved in attracting new people and new clients. And within the existing client base, she adds, she plans to use her relationship with people she knows "to push for fabulous work".

"Sometimes I think you need someone with a sort of neutral zone like I'm in to say: 'We can take this brand and lift it quite out of the ordinary, so you get both the brand manager and the agency taking their eyes off the short term and looking at the upside potential. I want to create the places in the company for our brands to star like that, so that our work will become notoriously good."

Some outsiders put a more negative spin on her appointment. Her most disparaging critics call her the schmooze queen of Madison Avenue, usually throwing in references to her power Rolodex and saying her main talent is handling clients rather than running a business.

This seems somewhat to understate Ms Beers' achievements, particularly at Ogilvy & Mather, where she turned around the once-ailing agency and presided over its success in winning the biggest-ever assignment in advertising history – the worldwide account of International Business Machines.

Ms Beers says she finds the "schmooze queen" tag insulting. "I never did think that going to see a client and talking about golf or fishing, which are not in my area of expertise, was all that helpful," she says. "I hope that my credentials for having clients take the phone call are that I'm going to be part of the team that makes something happen, that cares passionately about their brands, and is ested in what their issues are. That's all I've ever talked about."

Besides, she says, women have never understood schmoozing. When women succeed in business, they do so without the golf course or the old boys' network.

"What we have to do is build a bridge between our unexpected selves and the client with our love of business and our knowledge of business. So I've always been very self-conscious about not knowing a business.

"I would be miserable about talking to a client without a really good grasp of their business, and as long as I have it, I'm certainly going to talk about it. I think that's the antithesis of schmooze."

The longer you talk to Ms Beers, the more you sense the potential for conflict between her and Mr Jones. It is not at all clear who will be in charge.

Ms Beers says the boss will be "the best idea in the room" and that she and Mr Jones will "exchange moments of authority" depending on the circumstances. This is surely a recipe for havoc.

Perhaps they will avoid it. But Ms Beers intends to put her stamp on JWT. She says she is going to be involved in shaping "a strategic direction that leads to a vision for this lifecycle of the agency". She also adds, tactfully: "I could never do that without Chris."

She declines to say where in that lifecycle JWT is now, although the implication is that it is closer to a low than a high. "All I know is that I've entered a lifecycle where change is part of the menu, because I represent some of that change."

Indeed, the "elegance of the task" of transforming JWT is what tempted Ms Beers to give up retirement, she says.

"This is a company I really love. If I spent my last 10 or 12 years trying to be a brand builder – and I do care about that more than anything else – how could I resist the temptation to build the J. Walter Thompson brand?"

'What we have to do is build a bridge between our unexpected selves and the client with our love of business and our knowledge of business'

Essential Guide

Born: July 26 1935 in Beaumont, Texas, the daughter of an oil man who moved to Texas from Montana.

What she shares with other Texas-born women: Steel magnolia syndrome – a lethal combination of irresistible charm and indomitable will.

First job: After graduating in mathematics and physics, became consumer research supervisor at Uncle Ben's doing multiple regression analysis. "How's that for arcane?"

How she got into advertising: One day, Uncle Ben's hired J. Walter Thompson. "In walks this eclectic crowd of interesting people and I thought: 'Those people are having more fun than I am'." Two years later, she was one of them.

From there to here: Left JWT after 10 years to become boss of the smaller Tatham-Laird & Kudner. Merged that agency with RSCG of France, then planned a career break, but could not resist the top job at Ogilvy & Mather. Retired in 1997: accepted the JWT chairmanship last month.

Claims to have invented the saying: "These people are beginning to finish my sentences" on leaving Tatham RSCG, providing New York Times philologist William Safire with a topic for his column.

Three biggest obsessions: Brands, brands, brands. Never stops talking about them. Somewhere beyond the mumbo-jumbo – "a product doesn't become a brand until it rests honourably in the consumer's life" – lies a clear vision of the agency's role as bridge between brand and consumer.

Don't say: Women are better leaders than men because they are more nurturing, more collaborative and more gentle. "It sounds like nurse mommy is coming to run the company, and I don't want the bravery and the natural leadership qualities of women to be obscured by that kind of analysis."

MANAGEMENT DOE RUN

Developing a refined atmosphere

US ownership has meant big changes for a Peruvian metals complex, writes **Sally Bowen**

Something has happened to La Oroya. The town, 4,000 metres above sea level in the Peruvian Andes, used to be grim. By day, steam and gases rising from the huge state-owned smelter and refinery complex obscured the clear mountain skies. At night, downcast workers trudged through the darkened streets for a late shift.

Just 18 months later La Oroya is almost unrecognisable. The grimy refinery buildings have been repainted white and turquoise; workers' housing, in the same cheerful colours, is surrounded by flowers; temporary shacks have been demolished to make way for parks where alpacas peacefully graze; and new street lighting means La Oroya is almost as bright by night as by day.

"People say it's as if a black-out curtain had been pulled aside," says Juan Carlos Huyhua, vice-president and operations manager of Doe Run Peru, the privately-owned US company which acquired the La Oroya metallurgical complex at auction in 1997.

Mr Huyhua, a native of the southern Peruvian city of Arequipa, like many of his management team, once worked for Centromin, the state mining and refining group created when the military government of General Juan Velsaco nationalised the assets of the Cerro de Pasco Corporation in 1972.

Now the "gringos" are back. But apart from British-born general manager Kenneth Buckley and three US expatriates – plus support visits from US technical advisers – the changes at La Oroya have been wrought by the former Centromin employees themselves.

The key, says Mr Buckley, is "setting the tone". In Doe Run-speak, that covers everything from stricter safety standards than have ever been seen in Peru to excellent inter-company communications and "being a good neighbour".

"First we defined the goals and objectives, then we incentivised the workers with a 'gain-sharing' programme to reward them if production, health and safety targets were met," explains Mr Buckley.

Mr Huyhua and his Peruvian managers have so far bought wholeheartedly into the company philosophy. They proudly show off the upgraded hospital for company workers and the luxury washroom blocks being built behind the workers' housing.

"A Peruvian company would never have done this," says Mr Huyhua. "We don't have the philosophy, the concepts of equality. But when you show us, and transfer the technology, we can do it."

He and his colleagues have adopted US management jargon. "We are an HPO [high-performance organisation] which is fast-learning and horizontal," several managers explained.

Ira Rennerts, the multi-millionaire owner of Renbco, Doe Run's holding company, visits La Oroya regularly: on the first anniversary since privatisation, he attended an Andean-style cook-out with 10,000 employees and their families.

Doe Run's emphasis on safety is also a novelty for Peruvian workers.

Company statistics show it has turned round Centromin's safety record to make La Oroya the safest operation in the country.

Lead levels in smelter workers' blood have been cut by 10 per cent in 12 months thanks to sophisticated respirator gear and improved hygiene.

Doe Run acquired the complex for about $150m. The Missouri-based company plans to invest at least $120m in the next five years, mostly on environmental improvements.

Under Peruvian law, it has 10 years to bring La Oroya's two smelters and four refineries up to standard: major upgrading starts this year in conjunction with Fluor Daniel of the United States.

La Oroya is one of few complexes worldwide capable of processing the so-called "dirty" (mixed) minerals characteristic of the high Andes.

It can produce, besides copper, lead, zinc and silver, half a dozen other metals such as antimony, bismuth and cadmium and many sometimes highly profitable by-products.

Doe Run is proud of having negotiated out of standard, inflation-linked wage rises in favour of gain-sharing: it recently signed five-year contracts with unions.

Better work practices are affecting production figures. Lead output hit a record in December while silver production is 25 per cent higher.

Doe Run is applying the same approach at the former Centromin copper mine Cobriza – in a small, remote area of the Andes – which it bought last year: already the town is clean, the mine incomparably safer and the workers newly contented.

"Centromin failed to value its human resources, but we're proving we can respond," Mr Huyhua says. "This is how it will be in the next millennium: company, community and the state sharing the good times and the bad."

LUCY KELLAWAY

Perks of quitting while you're ahead

Michael O'Neill's resignation on his first day as chief executive of Barclays may have its compensations, even if they are not financial

Michael O'Neill, the first person in history to quit a multi-million dollar job on his first day, may not be so unlucky after all. It is, of course, a terrible thing to find out you are not as healthy as you thought you were, but there may be compensations.

Over the past couple of months Mr O'Neill has enjoyed many of the good bits of being chief executive of Barclays, the UK bank, without enduring many of the bad ones.

First the chase. How nice for the ego to be approached for the job. And how delightful to be offered it, knowing that you are deemed better than all of the bank's 78,000 employees, and more suitable than any individual in Britain.

Next come the plaudits and the gratifying publicity, and then that brief happy period between landing a job and getting your feet under the desk. Everything is anticipation, excitement, planning: you can enjoy contemplating the challenges ahead without having to face any of the nasty realities.

Most senior management jobs are difficult, frustrating and exhausting. You get the blame for things that are your fault, and many that are not. And the job at Barclays is worse than most. Everyone hates banks, and Barclays is a takeover target with a history of boardroom feuds.

Martin Taylor, the previous chief executive, couldn't crack it: the chances are against any newcomer making a success of it either. How much better to quit on your first day, the unblemished first choice.

So pity Mr O'Neill's successor, who will join in the knowledge that he (can you see Barclays appointing a woman?) is second best. And then, if he turns out to be bad at the job, he will be reproached by the suggestion that Mr O'Neill might have been better.

There is only one respect in which leaving on day one is not so great. And that is the money. Michael O'Neill gets not a penny for his nanosecond as chief executive. All he got was a few wretched air tickets paid for.

His lawyers have missed a trick here: given that the most useless, bungling chief executive can resign and expect to collect a fortune for failure, surely Mr O'Neill deserves at least $1m for having done nothing whatsoever.

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A couple of years ago I visited a sweatshop in north London. There were a few dozen Greek Cypriot women sitting at sewing machines making outsize dresses.

I asked the boss whether he feared a Labour government and the prospect of a minimum wage. He gave me a withering look reserved for daft people who ask naive questions. It wouldn't make any difference to me, he said. "No way I'd pay it."

I was reminded of him last week when I read about the many businesses that are skirting the minimum wage.

It stands to reason: if you are canny enough to pay your workers a pittance, you are doubtless canny enough to be able to cook your books.

Every new regulation creates its anomalies and evasions, but these minimum wage difficulties in the UK are nothing compared to those in France over working hours. Last week, Bernard Rocquemont, a senior manager at Thomson-CSF, the defence electronics group, was taken to court for allegedly getting his people to work overtime without paying them for it.

Funny that. In the UK this sort of thing gets you promotion. Mr Rocquemont may be just the sort of chap they are looking for at Barclays.

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You can climb mountains. You can walk across burning coals. You can play war games, drive tanks. You can go on cookery courses.

There are an awful lot of things you can get your company to pay for in the interest of team-building. But now there is a new freebie to be added to the list: you and your team can have a mud treatment at a health farm in Italy.

The current issue of The Director magazine is offering a special deal (a mere £1,200 a head) to companies sending six or more people to a de luxe Italian health spa. The idea is that they can de-stress and team-build at the same time.

Sitting in a whirlpool bath with your colleagues does not sound particularly relaxing to me. And as a team-building exercise it sounds as futile as all the rest.

If companies are really serious about team-building, I have a suggestion. It is effective and free. Make all the team come to work as usual and practise getting along with each other while carrying out their normal duties.

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A sign of the times. The spell-check on my computer informs me that there is a mistake in the sentence "the gates swung open".

The word gates should, of course, be written with a capital G.

lucy.kellaway@ft.com

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BUSINESS EDUCATION BREAKING BAD NEWS

There's no easy way to say this...

Managers who have to fire someone can learn from the medical profession how to break it gently, writes **Helen Jones**

As a breast cancer specialist at Toronto's regional cancer centre, Dr Rob Buckman is used to breaking bad news. "I don't like doing it, but it is part of my job," he says.

Over the years, Dr Buckman has developed a technique for telling patients the worst and he now teaches others how to pass on bad news. "Everyone hates telling people something painful – even doctors – and the only difference is that doctors get away with doing it badly because people feel benevolent towards the medical profession," he says.

Dr Buckman and Professor Walter Baile of the University of Texas MD Anderson Cancer Centre developed a set of protocols to help doctors and medical students explain to patients that they are severely or terminally ill. As a result, the pair were invited to speak to a number of companies about how to break bad news.

"We have now run sessions in Canada and the US on how to go about breaking bad news. Organisations include IBM, KPMG, Andersen Consulting, financial institutions, law firms and the Canadian government," says Dr Buckman.

Companies may not be imparting news that is a matter of life and death, but they often have to tell a client that things are not going to plan, or tell an employee they are no longer needed.

According to Stephen Carver, director of the communications course at Cranfield School of Management in the UK, many managers try to avoid these types of situations.

"People hate doing it. In the past, when you had to fire someone you could pass it to the human resources department like a poisoned chalice, but increasingly managers have to take responsibility for telling people that they will not be promoted or that they are being fired."

'Think about the situation to avoid rushing it and saying something crass'

Cranfield has worked with psychologist Philip Hodson to develop a training course. Mr Carver says students on the Cranfield MBA course often believe that the solution to a particular problem is to make people redundant or to fire them.

"We say OK, go ahead and do it, and we get actors in to play employees who are being dismissed. They soon find it's not easy in reality."

London Business School runs sessions on breaking bad news as part of its leadership courses. The method used has been developed internally and includes role-playing sessions.

Liz Mellon, director of the senior executive programme, says: "Some managers find it very difficult and so they put it off and let the situation continue until they really have no choice. This can leave the person on the receiving end absolutely decimated."

She adds that those attending LBS courses have to address their worst fears. "Often in the case of a man telling a woman bad news he is worried that she will cry. Others are worried that they may face violence and so we role-play these scenarios."

Dr Buckman says that before breaking bad news you should think about the situation to avoid rushing it and saying something crass. He says there is a useful acronym to help focus on the task – Spike – which stands for setting, perception, invitation, knowledge and emotion.

- The setting must be right. It is a serious situation so you should dress seriously, clear your desk and shut the door, he says.
- Then you should ask the person concerned for their perception – how do they feel that the job has been going – and listen to their answers. "Ask open-ended questions: how are you feeling, how is it going? Just let them talk. The sense of trust you can build by just letting people say what they feel is incredible," he says.
- The next stage is invitation, where you say, "I would like to talk to you about your performance".
- This is followed by knowledge, the hardest part, where the person is told what steps will be taken. " 'I have to tell you that you will not be promoted.' You have to give them the information as clearly and concisely as you can without beating around the bush," he says.
- The final stage is emotion, where you acknowledge that they must be feeling awful. However, Dr Buckman warns: "You mustn't get emotional yourself. Even if someone is crying, you still have to fire them."

Dr Buckman says that while some may regard the breaker of bad news as "some sort of Nazi", it is possible for both sides to come out of the meeting with dignity and a sense of mutual respect.

He speaks from experience. As well as telling others distressing news, he has been on the receiving end himself. "About 20 years ago I developed a life-threatening auto-immune disease which was devastating."

Happily, Dr Buckman responded to treatment, but he still finds it difficult breaking bad news to others.

"It never gets any easier, but now I know I can cope emotionally and deliver that news as well as I can."

" I'VE GOT BAD NEWS, MISS PEEBLES – I LOVE YOU. "

NEWS FROM CAMPUS

Yale school piles on the professors

The Yale school of management has announced seven appointments, four tenured professors and three tenure-track faculty. The move is part of the commitment by the university to increase the number of faculty by 60 per cent.

Leading the field is finance professor Hua He, an expert in derivatives analysis, who is returning to academia from Wall Street. Prof He previously taught at the University of California, Berkeley. Zhiwu Chen is leaving Ohio State University to become professor of finance at Yale, while Matthew Spiegel is leaving Berkeley to become the third newly appointed finance professor. Shyam Sunder joins Yale from Carnegie Mellon University.

The appointments are a personal triumph for Yale's dean Jeffrey Garten, who spent much of his time and energy over the past year hand-picking his faculty.
Yale: www.som.yale.edu

New home for executives

Harvard Business School, founder of the executive development programme, has this month opened its latest executive development centre, a six-storey building that will accommodate 170 executives. The building is named in honour of former dean John McArthur.
Harvard www.hbs.edu

MIT China project grows

A third Chinese university has joined the MIT Sloan school of management's MIT-China management education project. This enables Chinese faculty to study at Sloan, and the universities to give an international MBA programme based on Sloan's curriculum.

Lingnam College of Zhongshan University in Guangzhou, will join two other Chinese universities, Tsinghua, in Beijing, and Fudan, in Shanghai.
Sloan: web.mit.edu/sloan/www

Journal for online learners

The American business school accreditation body, the AACSB, has teamed up with University Access, the distance learning company based in Los Angeles, to develop a quarterly online journal. The first edition of @cademyonline is now available free of charge.
@cademyonline: www.academyonline.com

US approval for Warwick

Warwick in the UK has become the first UK business school to be accredited by the American AACSB, following a joint accreditation exercise conducted by the AACSB and the UK's Association of MBAs in February.

The Association of MBAs also has re-accredited all four MBA programmes at Warwick for a further five years, the maximum period.
Warwick: www.wbs.warwick.ac.uk

Happy return to Chicago

Ellen Rudnick, now chairman of Pacific Biometrics in Lake Forest, California, is to become executive director of the entrepreneurship programme at the University of Chicago business school. Ms Rudnick was awarded an MBA from Chicago in 1973.
Chicago: www-gsb.uchicago.edu

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BUSINESS EDUCATION SEARCH FOR A DEAN

Intellectual at heart: Joss

Stanford puts its money on a banker

After a year of searching, Stanford Graduate School of Business has named a banker as the new dean for its business school.

Robert Joss, who will take up his new job on September 1, stood down last month as chief executive officer and managing director of Australia's Westpac Banking Corporation. He was previously vice-president of Wells Fargo Bank in San Francisco and before that worked for the Treasury Department in Washington.

In Mr Joss Stanford has succeeded in finding a businessman who has a deep knowledge of the academic world. He is a Stanford MBA and completed his PhD at the business school, which will celebrate its 75th birthday next year, in 1970.

Charles Holloway, the Stanford professor who was joint chairman of the search committee, described Mr Joss as "basically an intellectual at heart" who "values the concepts and ideas and research focus that set Stanford's GSB apart".

Mr Joss, 57, will succeed Michael Spence, who has led the business school at Stanford since 1990.

Stanford is just one of the high-profile business schools which has been looking for a new dean. In the next few months the Wharton school, at the University of Pennsylvania, is expected to announce who will replace Thomas Gerrity, its most famous boss.

And Insead, probably Europe's best-known business school, based just outside Paris, is setting up a search committee to select a replacement for its dean, Antonio Borges. In the UK, Warwick Business School should soon announce its choice of dean to replace Bob Galliers.

Della Bradshaw

INFORMATION TECHNOLOGY NARROWCASTING

Basketball brainwave nets fortune

Andrew Gellatly on the US man who appears to have struck gold by pioneering 'narrowcasting'

Yahoo!'s offer of $6.6bn (£4.1bn) for a loss-making company has stretched the credulity of even the most hardened internet observers. But some in the industry believe Dallas-based Broadcast.com and its founder Mark Cuban may represent the future of broadcasting.

Television companies around the world have always dreamed of "narrowcasting" to small, wealthy audiences, but Broadcast.com has so far been one of the few to achieve it.

Yahoo!'s bid this month valued each of Mr Cuban's customers at $746. Many believe this price is insane. But Yahoo! also wants to use Broadcast.com's expertise in sports and entertainment to bring traffic to its own portal, which is the most popular on the web.

Mr Cuban, 40, began Broadcast.com in 1995 in his spare bedroom to provide radio feeds from small-town basketball games on the internet for displaced fans around the world who wanted to listen to their local games even if they were in a hotel room a continent away.

It won a loyal following and made the company one of last year's hottest Nasdaq stocks. With Yahoo!'s all-paper bid Mr Cuban stands to reap more than $1.3bn for his 9.25m shares, although he plans to remain with the company.

Yet the real success of Broadcast.com's approach has come not so much from entertaining web surfers, but from helping companies that want to broadcast videos of their shareholder meetings, results announcements or product introductions.

During the last quarter the company lost $3.8m on sales of $4.5m, but more than 60 per cent of its revenues were from business services, reversing the usually advertising-dependent business model of the internet.

Broadcast.com's example of operating as a cable company on the internet could have an enormous impact in the European television market, which has increasingly embraced cable and narrowcasting. But Mr Cuban has no plans to be there, believing the telecommunications environment is not yet right. "So far we're not looking at Europe at all, but we think the Japanese market is very ripe," he says.

European analysts, however, have been quick to notice the potential. "Broadcast.com's ability to show video clips will make it an attractive new advertising vehicle for the entertainment industry," says Brian Oates, Lehman Brothers' media analyst.

Mr Cuban's target audience are office-based workers, likely to be accessing the service via a 56kbps modem or T1 line (a high bandwidth internet connection), who can relatively easily download and play the video clips. These range from one minute to three hours.

"How many people have TVs on their desks?" asks Mr Cuban, "but pretty much everybody has a PC with internet access – that makes us the number one desktop medium. In terms of daytime audiences we can reach more white-collar workers during the day than NBC, CBS and ABC combined."

It is a situation that makes Broadcast.com's daytime advertising slots more expensive and desirable than the evening ones, overturning the received wisdom of TV advertising.

If the company is not doing much for the productivity of the US workforce, it is causing many broadcasting executives to rethink the internet and its high-earning users.

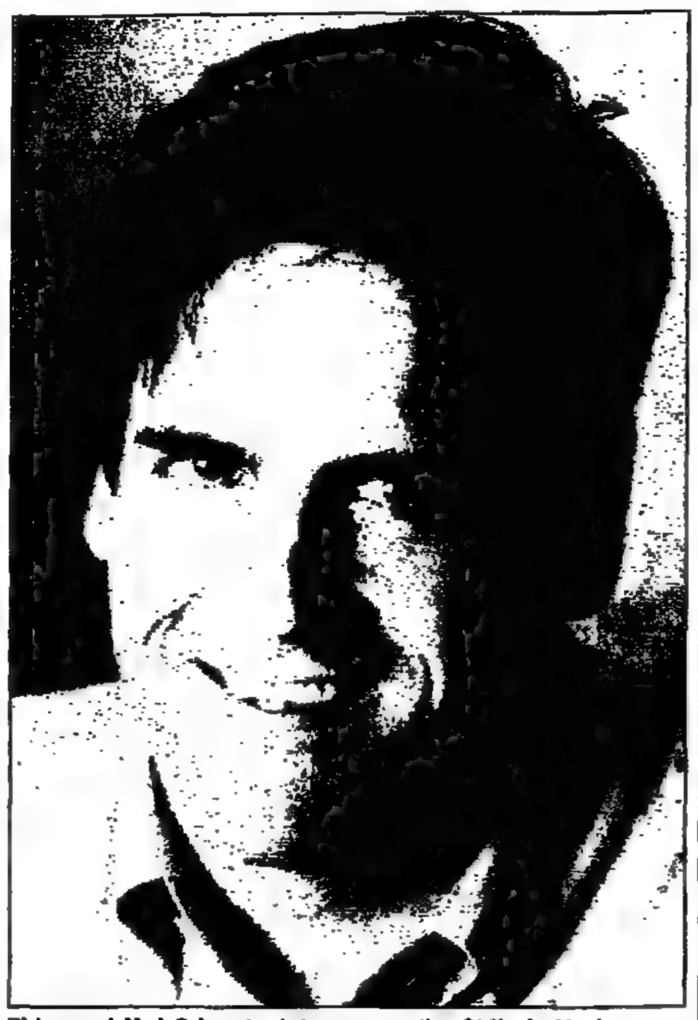
Last season Broadcast.com bought the online rights to the NCAA (National College Athletic Association) Basketball Championships. Because the first round was played during the working day, it brought a huge office audience. "When we go and talk to companies about broadcasting their stockholders' meeting, they say: 'Oh yeah, we remember you from listening to the Pirates game'," Mr Cuban says.

Broadcast.com has 385 radio stations and 40 local TV stations signed up as sports content providers. The internet rights have proved inexpensive because they are still seen to have little value outside their home markets. The large networks put little value on internet rights because of their relationship with local affiliates. The affiliates would resist the introduction of internet video because it would undermine their exclusive arrangements on which they depend for their advertising revenue.

"The big broadcasters don't even think about online rights when they negotiate, they don't even ask for them," Mr Cuban says. "Most of the biggest media companies have golden handcuffs – they've got to keep the affiliates happy."

The European pay-TV operators lack the affiliate structure of US broadcasting. That means there is nothing to stop European operators such as Canal Plus from using Broadcast.com-style technologies. With Yahoo! backing Broadcast.com, the European market appears to be open for this type of delivery.

Mr Cuban has clear ideas about the internet's future as a video delivery medium: "The technologies have already scaled well," he says. "It's purely a marketing issue to get the consumer to accept it."



Rich reward: Mark Cuban stands to reap more than $1.3bn for his shares

'In terms of daytime audiences we can reach more white-collar workers during the day than NBC, CBS and ABC combined'

MANAGEMENT PATTERN RECOGNITION

Early trend spotters can catch the market

Victoria Griffith examines the claim that an ability to perceive change is crucial for success

Profit Patterns
Adrian Slywotzky
$27.50/£16.99
Published in the US by Times Business/Random House: in the UK on May 7 by John Wiley & Sons

Microsoft, Coke, Nike and The Gap got it. Apple, Pepsi, Reebok and The Limited did not. "It", according to management author Adrian Slywotzky, is knowledge of where true value in an industry is coming from. Companies that understand how their sector is changing become big fish; those that do not, lose ground.

In *Profit Patterns*, Mr Slywotzky promises to teach us all how we can "get it" – that is, how we can understand where the real profit and growth lie in every business. He uses some compelling, if worn, examples to show us how managers can capture a market by being among the first to perceive a trend.

Amazon.com, the online bookseller, was quick to exploit the potential of the internet. SAP, the German group, rose to glory because it recognised that companies would have to integrate computer capability in all their operations. Dell became the king of personal computers because Michael Dell recognised people would give up a little flexibility in their options to get a great product at a good price.

Mr Slywotzky convinces us that pattern-recognition is increasingly important in the business world. In today's fast-moving economy, our assumptions about the industries we operate in are challenged more often and more forcefully than they were in the past.

But understanding the importance of trend-spotting and being able to spot trends are surely two different things. Visionaries in business make their fortunes because they see what the rest of us do not. Pattern recognition is, traditionally, a key measure of IQ. It makes sense that the brightest business people are often the most successful.

So where does that leave everyone else? Mr Slywotzky, with co-authors David Morrison, Ted Moser, Kevin Mundt and James Quella, tries to persuade us that we, too, can become adept pattern spotters through self-discipline and practice. They use an unusual example for inspiration: the 1997 victory of Deep Blue over chess champion Gary Kasparov.

Profit Patterns points out that Deep Blue was a computer program put together by clever people at International Business Machines. None were chess geniuses, and none could have beaten Kasparov on their own. Yet together they created a machine that conquered one of the greatest pattern-spotting minds in the world. Similarly, Mr Slywotzky argues, ordinary people working together could identify a pattern that escapes the world's greatest managers.

The book takes us through a series of exercises to hone our pattern-recognition skills. Some seem downright silly, loaded with jargon. At one point, we are asked to assess how our organisation operates in "Dali Time", "Conventional Time" and "Digital Time".

Others are thought-provoking. The authors ask us, for instance, to list our best customers by rank, and think about what type of customers they are. Other chapters pose questions such as "Are there technology shift patterns that will redistribute power in your industry?" and "Which brand names will really matter in your industry?"

The trouble with *Profit Patterns* is that none of the corporate success stories it cites prove its contention that ordinary workers can become a team of visionaries. The companies that "got it", according to the authors, were led by individuals – business people with clear ideas about the future.

Even if we do "get it", *Profit Patterns* offers no advice on how ordinary people might get their corporations to move in a new direction. Chief executives may set a course for the company; it's hard to see how the average worker would do so.

It is also difficult to believe many readers will take the time to use the book the way the authors indicate. Towards the end, readers are asked to re-read chapters four to 10 at least once every two months.

Profit Patterns does no harm in reminding us that our business may not be around tomorrow if management does not sense the direction in which the market is moving. Yet even if it sells millions of copies, the number of true visionaries is unlikely to rise significantly.

Profit Patterns is available from FT Bookshop by ringing FreeCall 0500 500 635 (UK) or 0181 324 5511, or fax 0181 324 5678. Free p&p in UK

Slywotzky promises to teach us all how we can 'get it' – that is, how we can understand where the real profit and growth lie in every business

BUSINESS TRAVEL AIR FARES

Taxing ticket change

The decision by 72 airlines to identify airport charges separately on tickets has been criticised as a misleading price rise, says **Rachael Jolley**

British Airways and other leading airlines are attracting heavy criticism for the way they have passed on UK airport charges to travellers.

The UK Office of Fair Trading has launched an investigation following accusations that carriers are disguising the so-called "passenger service charge" as a tax, to hide a rise in air fares.

Airports have always charged airlines for the use of their facilities, but airlines used to include these costs in the overall ticket price.

From this month, however, 72 airlines operating in and out of the UK are showing airport charges as a separate item on the ticket. Travel agents protested when they noticed that fares were going up as airlines added the charge to what had previously been the all-inclusive ticket price.

Mike Platt, commercial director of travel management company Hogg Robinson BTI UK, calls the decision to identify airport charges separately "a thinly veiled price increase".

"The PSC was included in the price of a ticket. If the fare was £100 and the PSC £9, the new fare should be £91 plus a £9 fee, not £109. What in fact they are doing is adding it to the existing fare," he says.

Apart from the disguised price increase, travel agents and government ministers are angered by the way the airlines have described the charges as a tax. The Association of British Travel Agents has started a High Court action against British Airways, Virgin Atlantic and Lufthansa over this issue.

Glenda Jackson, the UK transport minister, told the Guild of Business Travel Agents she was "very concerned about the practice of displaying passenger service charges on tickets as if it was a tax".

She added: "My department is working with the Department of Trade and Industry to assess whether the airlines could be in breach of trade description legislation."

The OFT has already told the International Air Transport Association, the body representing most of the world's biggest airlines, not to misrepresent the charge as a tax. An Iata document issued in January calls the charges a "ticket tax".

To add to passengers' confusion, the passenger services charge is displayed on tickets next to air passenger duty, a genuine government tax.

The OFT says it has received 20 complaints. But action against airlines cannot be retrospective, so travellers will not be entitled to refunds on PSCs already paid, it says.

Ian Hall, UK travel manager for Unilever, the AngloDutch conglomerate, points out that the higher ticket prices could cost companies with extensive travel in and out of the UK several thousand pounds this year. He is also critical of the way all the 72 airlines chose to make the move together.

Some fees will be charged on departure, others on arrival, meaning a business traveller could pay two PSCs on one journey. The fees are: for an international departure from Heathrow, £7.30; for a domestic departure, £4.80; and, at London City Airport, £10.70 on arrival.

British Airports Authority, which runs some of the UK's biggest airports including Heathrow and Gatwick, stresses the rise in ticket prices is not the result of increased airport charges. But it admits there has been a certain amount of confusion about the PSC, which some travellers seem to think is a tax.

Defending the change, British Airways says it is moving into line with policy in many parts of Europe, where airport charges are displayed on tickets. "Just as there are times when fares go up, there are other times when fares go down. We believe it will help air fares become more transparent."

BA is calling on Iata to change ticket layout to make it "crystal clear" to consumers that fees and other charges could be included as well as taxes.

Virgin Atlantic said: "It is what other airlines have done, it is not our lead. The feeling is that the costs are going up generally."

TRAVEL UPDATE

Hotel in Japan among four Marriott projects

A 780-room hotel in Nagoya, Japan, is one of four Asian projects announced by Marriott. Scheduled to open in spring next year as part of an office and shopping development centred on the city's main station, it will be operated in association with JR Tokai Hotels, a subsidiary of the Central Japan Railway Company.

Marriott will also manage three new properties in China. Two of them will be in Shanghai and are due to open in 2001. The other will be in Haikou, on Hainan Island off the southern coast.

Company travel rule crackdown

Break company travel policy at your peril. Worldwide research by American Express shows that all but a small minority of companies exact some kind of retribution: 71 per cent refuse to pay expenses to staff who fail to toe the line.

Yet the temptation must be great – 72 per cent of corporate travellers fly in economy class, the survey found.

Canada connection with Taipei

Air Canada has joined forces with EVA Air to offer a non-stop service between Vancouver and Taipei. It plans to operate three flights a week from July 5, using long-range Airbus A340 jets in a code share arrangement with the Taiwanese carrier. Arrival times in Taipei will be scheduled to allow as many same-day connections to other Asian destinations as possible.

Polar One route planned by UA

United Airlines is planning non-stop flights between New Delhi to Chicago over the North Pole. It wants to launch the service in October, and is seeking permission from the Russians to use the new Polar One route for US-bound flights. Light headwinds over the pole would mean the shortest possible flight times.

Roger Bray

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OPENINGS

NEW YORK
To mark the millennium, the Whitney Museum is devoting all five floors of its building to an all-American blockbuster, presenting everything you ever wanted to know about 20th century American culture but were afraid to ask. Art from collections around the US will be on show, and the exhibition will be presented in two parts: the first half of the century from Friday until the end of August, and the second half from late September until the end of the year.

The Metropolitan Museum's monumental collection of Greek art will return to view tomorrow in seven galleries refurbished to their original neoclassical grandeur. The opening of the new Greek Galleries, featuring masterpieces from the sixth to the fourth centuries BC (left), marks the end of an extensive three-year renovation and re-installation project.

The New York Philharmonic, conducted by Colin Davis, gives the US premiere of James MacMillan's "The World's Ransoming" at Avery Fisher Hall on Thursday. The programme, which also includes Bruckner's Ninth Symphony, is repeated on Friday morning and Saturday evening.

The Civil War, a musical inspired by documentation from the American conflict of the 1860s, opens at St. James Theatre on Thursday, with music by Frank Wildhorn. The director is Jerry Zaks.

A show that dusts off the songs of George and Ira Gershwin, *The Gershwins' Fascinating Rhythm*, opens at Longacre Theatre on Sunday. Conceived by Mark Lamos and Mel Marvin, it includes such standards as "I've Got a Crush on You" and "The Man I Love".

MADRID
The Fundación Juan March has organised an exhibition devoted to Kurt Schwitters, a key figure in the European avant-garde of the 1920s. It comprises 35 works from the Sprengel Museum in Hanover and private collections. The show opens on Friday and runs until 27 June.

HOUSTON
Composer and inventor Tod Machover brings a fresh look to the traditional operatic medium on Friday when Houston Grand Opera stages his *Resurrection*. The opera, HGO's 24th world premiere, explores the social conflicts of Tsarist Russia. Patrick Summers conducts, Braham Murray directs, and the cast includes Christopher Schaldenbrand and Katherine Ciesinski.

LONDON
The Royal Opera's award-winning production of Britten's *Paul Bunyan* returns to the London stage for 10 performances at Sadler's Wells, starting on Friday. Meanwhile at the Coliseum, a new English National Opera production of Handel's *Semele* opens tonight, in a staging by Robert Carsen conducted by Harry Bicket. Rosemary Joshua (left) sings the title role.

Neil Bartlett's production of Marivaux's extraordinary play *The Dispute* – a great success when new in Stratford-upon-Avon – arrives this week in London, opening tonight at the Lyric Theatre Hammersmith. Nick Philippou's drastic revision of Shakespeare's *The Tempest* arrives in the same building at the Lyric Studio on Wednesday.

CARDIFF
What Philip Larkin described as "the clear, non-hysterical voice and sailing guitar" of B.B. King (above) will be heard at St. David's Hall tomorrow, as the 73 year-old Beale St. Blues Boy opens his UK tour.

Berlin gets the greenhouse effect

Ralph Rugoff reports on Sir Norman Foster's transformation of the Reichstag

When Sir Norman Foster won the commission to transform Berlin's Reichstag, which opens today as the Bundestag's new home, he grasped the opportunity of a lifetime. How many architects, after all, are ever given the chance to redesign a nation's capital building, especially at such a turning point in that nation's history? With a reunified Germany looking to overcome the ghosts of the past as its government moves from Bonn to Berlin, the symbolic stakes were daunting.

So was the architectural challenge. Rather than tear down the old Reichstag, a fusty, neo-Baroque 19th-century structure that had been burned by the Nazis, damaged in the war, and mutilated by later renovations, the Bundestag had decided it should simply be remodeled.

The link to the past should be preserved. But it had to be handled gingerly, as Germany's relationship to its own icons of authority remains profoundly uneasy. What was needed, clearly, was a way of converting the Reichstag – a piece of leftover Kaiser pomp – into a contemporary symbol of Germany's democratic traditions, while at the same time imbuing it with the *gravitas* befitting a seat of government.

Foster's solution is evident as soon as one ascends the grand staircase of the building's western entrance and enters a soaring lobby that is a dazzling paean to light, space and, above all, the virtues of glass. Upon walking through the front doors, to be used by politicians and the public alike, the legislative assembly is immediately visible through a series of glass walls. In Foster's idealised vision government lives in a glass house, its actions visible to the people it is meant to serve.

The use of glass as an idealist metaphor is, in fact, an old saw of Modernist architecture; but Foster has revived it with a vengeance. In the lobby the material is everywhere – overhead in the neatly gridded skylights, in the towering windows behind you, even on the doors of the elevators in which you can ride to the roof to witness Foster's ultimate tribute to this favourite material.

There, nesting atop the building like an upside-down egg cup, is a spectacular high-tech cupola that climbs 23 metres. At its core hangs a 300-tonne inverted cone composed of panels of mirrored glass. The cone is functional: a "light sculptor", it reflects sunlight into the assembly chamber below. But it is also an astonishing sculptural object, suggesting an aesthetic collaboration between Nasa and Liberace.

In Foster's original plan, visitors would have been able to stand inside the cupola and gaze down at their representatives through the assembly chamber's glass dome. That plan was scrapped, however, and the rooftop visitor is now treated to breathtaking panoramas of Berlin from an open-air observation platform at the cupola's apex, reached by spiralling ramps that hug the glass shell.

It's an extraordinary viewing experience, and the cupola will undoubtedly become a major tourist attraction, a 21st century counterpart to the Eiffel tower. But other than suggesting that governments have become like theme parks, it's difficult to conceive of any symbolic weight this architectural folly might possess. It will be illuminated at night, supposedly to remind Berliners that the beacon of democracy is ever aglow, but seen from afar the futuristic structure might more readily conjure an alien mothership that has descended upon the crusty capital building and is sucking out its guts.

The 300-tonne inverted cone is an astonishing sculptural object, suggesting an aesthetic collaboration between Nasa and Liberace

Which is essentially what Foster and Partners did in converting the Reichstag, gutting its compartmentalised interior and replacing it with wide-open spaces whose pale walls and flooring are often brightened by views into the building's symmetrical courtyards. Boasting minimalist bars and elegant dining rooms, the new Reichstag is sometimes so chic it evokes an exquisite first-class airport rather than a seat of government.

Its *gravitas* quotient takes a beating on several fronts. Foster's plans for a muted palette were vetoed by the German government, which declared its desire for an upbeat colour scheme. Thus some meeting rooms feature Lego-like panelling in loud primary hues, while the 750 seats in the Bundestag's hallowed chambers are an eye-assaulting purple.

The plenary chamber has two other fatal strikes against it. A 1950s sculpture of the German eagle, apparently a nostalgic favourite of many MPs, hangs before the front wall like a giant kitsch cartoon, visually dominating the room along with the tapering steel point of Foster's roof-top "light sculptor" that punctures the chamber's ceiling and will hang above legislators' heads like a space-age sword of Damocles. Foster cannot be blamed for the eagle, but the dangling tip of his inverted cone is a pointless distraction.

The 'light sculptor' punctures the chamber's ceiling, hanging above legislators' heads like a space-age sword of Damocles

The sole redeeming touch is the glass-sided sections of raked gallery seating that hover so close to the assembly floor that visitors should be able to read the notes politicians pass to each other. More than all the endless panes of glass, these galleries will ensure an intimacy exists between legislators and the public.

As for evoking history, Foster's one truly successful gambit occurs in hallways where archaeological strata from the original building – damaged 19th-century mouldings, masons' marks, graffiti scrawled by occupying Soviet soldiers – have been preserved. Ingeniously mingling past and present, these areas transform the Reichstag into a living museum.

Curiously enough, the Bundestag's new home also aspires to be a gallery of contemporary art. In one of Germany's largest public art programmes, 20 artists were commissioned to create works for the building, including several figures best-known for politically subversive art, or whose work has addressed the Nazi legacy.

Unfortunately, most of the art is so poorly displayed that its presence is virtually nullified. A sculptural assemblage by Joseph Beuys is dumped in a corridor outside a dining room; Christo's drawing of his "wrapped Reichstag" project is stuck against a fire engine-red wall in the rooftop restaurant. Worst of all, a memorial to German legislators victimised by the Nazis is placed in a bright glass-box of a room amid sleek black leather furniture that calls to mind a corporate cocktail lounge.

Only Sigmar Polke, the reigning court jester of German art, is able to give the new Reichstag the spin it deserves. Hung in the main lobby, his five holographic collages poke fun at key figures and symbols of German politics. Most importantly, though, these visually dense works transform as you walk past them. With antic irreverence, they call the bluff of Foster's rhetorical exercise in transparency. Reality, they remind us, is never transparent. What we see from any one angle is always only part of the picture.

This truism is grossly exaggerated in the new Reichstag, which is essentially two separate buildings with an eye-catching showpiece plonked on top. Meanwhile, basic problems such as its crushingly dull façade have not even been addressed.

Of course, on a practical level Foster's functional meeting rooms may well prove pleasant places to work. But as the capital of reunified Germany, his schizophrenic renovation is profoundly unsatisfying. Ultimately it is as problematic as the name of the building itself – a Reichstag for which there is no longer a Reich.

An intimate slice of American life

MUSICAL

BRENDAN LEMON

Floyd Collins
Prince Music Theatre, Philadelphia

On January 30 1925, a young amateur explorer named Floyd Collins became trapped in a large cave in Barren County, Kentucky. For two weeks, while desperate and sometimes foolish efforts were made to rescue him, Collins survived. With the exception of Charles Lindbergh's transatlantic flight and the kidnapping of his baby, the Collins drama was the biggest American news story between the wars.

In 1994, the American Music Theatre Festival in Philadelphia (which has since become the Prince Music Theatre) premiered *Floyd Collins*, a piece based on the spelunker's story. With music and lyrics by Adam Guettel, and book and direction by Tina Landau, the work had its New York premiere two years later, off-Broadway, meeting with critical acclaim and sold-out houses. Without risk-taking producers to support it, however, *Floyd Collins* failed to transfer to a commercial theatre.

But now a new production of the show directed by Landau is touring the country, and while the staging's merits are not so overwhelming as to require its move back to New York, neither do they dissuade one from the view that *Floyd Collins* is an important achievement in music theatre, an ambitious yet intimate slice of Americana.

On the stage of the Prince Music Theatre, in its ingeniously renovated, 450-seat performance space in downtown Philadelphia (the production has now transferred to the Goodman, in Chicago, until June 5), *Floyd* conveyed a grander feel than it had during its off-Broadway incarnation.

While this helped heighten the carnival-like hysteria of the second act, as every huckster in the country descends on the cave in search of a profit, it has also resulted in a certain slackness of staging.

If the story is to earn its deeply affecting conclusion, tautness of development and economy of movement are essential. What was put across, and gloriously, was the show's score. A mélange of bluegrass and folk, jazz and music-video pop, with echoes of Carlisle Floyd and Copland, Britten and Sondheim, and, above all, Jimmy Webb, the music was well-played by an eight-piece pit band. While Guettel's banjo-inflected sound is familiar to anyone who has been to a rural fair, it feels absolutely innovative in the context of American musical theatre, where ballads choked by synthetic strings are more the norm.

Guettel is also original in his word settings. Again and again, he places a syllable on three or four notes, a technique that is common in country music but near heresy on Broadway. His songs frequently refuse to reach for the easy emotion.

What was put across, and gloriously, was the show's score

For example, "The Riddle Song" starts out as a woeful duet between Floyd and his brother, Homer, about the explorer's plight, but explodes into a fantasy of boyhood freedom, days when the pair would skip school and go fishing.

Though Romain Frugo and Clarke Thorell, the vocally clear, dramatically adept actors who portray Floyd and his brother, have Huck Finn and Tom Sawyer looks to them, their rapport is absolutely adult.

In their scenes together and in Floyd's moments with Skeets Miller, a cub reporter, we glimpse a world where people long for romantic connection but must be content with the more mundane affection of friends and family.

In this emotional realism, Guettel's work distinguishes itself from most musicals, which must contain a conventional love story in order to thrive commercially.

In another setting, the composer's refusal to feed audience fantasy could be seen as puritanical, but against the hardscrabble Kentucky backdrop of *Floyd Collins*, it looks more like genius.

INTERNATIONAL Arts Guide

AMSTERDAM

DANCE
Het Muziektheater
Tel: 31-20-551 8911
Nederlands Dans Theater I: programme of works by Inger, Lightfoot, Kylián and Van Manen; Apr 20, 21, 23

OPERA
Netherlands Opera, Het Muziektheater
Tel: 31-20-551 8911
Otello: by Verdi. Conducted by Carlo Rizzi in a staging by Klaus Michael Grüber, with a cast led by Vladimir Bogachov; Apr 19, 22

BERLIN

DANCE
Deutsche Oper
Tel: 49-30-34384-01
Tokyo Ballet: in a Maurice Béjart programme comprising Stravinsky's Le Sacre de Printemps and Petruschka, and Ravel's Bolero; Apr 20, 21

CARDIFF

JAZZ
St. David's Hall
Tel: 44-1222-878 444
B.B. King: opening concert of a UK tour; Apr 20

FLORENCE

CONCERTS
Teatro Comunale
Tel: 39-055-211158
www.maggiofiorentino.com
Orchestra del Maggio Musicale Fiorentino: conducted by Semyon Bychkov in works by R. Strauss and Brahms, with piano soloist Andrea Lucchesini; Apr 22, 23

OPERA
Teatro Comunale
Tel: 39-055-211158
www.maggiofiorentino.com
The Queen of Spades: by Tchaikovsky. Conducted by Semyon Bychkov in a staging by Lev Dodin, in a co-production with Netherlands Opera and Opéra National de Paris; Apr 21

GENEVA

DANCE
Bâtiment des Forces Motrices
Tel: 41-22-418 3000
Ballet du Grand Théâtre de Genève: La Bayadère. New staging by Etienne Frey, with designs by Gérald Poussin. With the Orchestre de la Suisse Romande conducted by Thomas Rösner; Apr 19

HOUSTON

OPERA
Houston Grand Opera, Wortham Center
Tel: 1-713-227 2787
www.hgo.com
Resurrection: world premiere of Tod Machover's new opera set in Tsarist Russia, with a libretto by Laura Harrington. Patrick Summers conducts a staging by Braham Murray, with designs by Simon Higlett; Apr 23

LONDON

CONCERTS
Barbican Hall
Tel: 44-171-638 8891
● Amsterdam Baroque Orchestra: conducted by Ton Koopman in works by Rameau, Bach, Boccherini and Mozart, with cello soloist Yo-Yo Ma; Apr 23
● City of London Sinfonia: conducted by Richard Hickox in works by Strauss, Haydn and Beethoven, with soprano Christine Brewer; Apr 21

Royal Festival Hall
Tel: 44-171-960 4242
● London Philharmonic Orchestra: Daniel Harding conducts works by Brahms, Mozart, and Strauss; Apr 20
● Orchestra of the Age of Enlightenment: conducted by Paul Daniel in works by Mozart, with soloists including soprano Susan Chilcott; Apr 19
● Philharmonia Orchestra: Christian Thielemann conducts works by Schumann, Mozart, and Brahms; Apr 22

EXHIBITION
Royal Academy of Arts
Tel: 44-171-300 8000
Vasily Kandinsky: Watercolours and other Works on Paper. 140 works on paper spanning the whole of the artist's career; to Jul 4

OPERA
English National Opera, London Coliseum
Tel: 44-171-632 8300
● Mefistofele: by Boito. Conducted by Oliver von Dohnányi in a new staging by Ian Judge; Apr 23
● Salome: by R. Strauss. David Atherton conducts David Leveaux's production; Apr 20
● Semele: by Handel. Rosemary Joshua sings the title role in Robert Carsen's production, conducted by Harry Bicket; Apr 19

Sadler's Wells
Tel: 44-171-863 8000
The Royal Opera: Paul Bunyan, by Benjamin Britten. Staging by Francesca Zambello, conducted by Richard Hickox; Apr 23

LOS ANGELES

CONCERT
Dorothy Chandler Pavilion
Tel: 1-213-365 3500
www.laphil.org
Los Angeles Philharmonic: conducted by Alan Gilbert in works by Bernstein, Ruggles, John Williams, and Copland; featuring David Breidenthal on bassoon; Apr 22

MUNICH

CONCERTS
Philharmonie Gasteig
Tel: 49-89-5481 8181
● Munich Philharmonic Orchestra: conducted by Manfred Honeck in works by Wolf and Tchaikovsky; Apr 21, 22, 23
● Pinchas Zukerman: recital by the violinist of works by Mozart, Takemitsu, Schumann and Brahms, with piano soloist Marc Neikrug; Apr 20
● Vienna Philharmonic Orchestra: conducted by Roger Norrington in works by Nicolai, Bellini and Bruckner, with piano soloist Friedrich Höricke; Apr 19

NAGOYA

EXHIBITIONS
Nagoya/Boston Museum of Fine Arts
www.nagoya-boston.or.jp
● Art of the Ancient Mediterranean World: inaugural long-term display of more than 220 objects, ranging from prehistoric Egyptian earthenware to a fresco from Pompei
● Monet, Renoir and the Impressionist Landscape: this inaugural show at the new museum comprises more than 60 examples of landscape painting in 19th century France. Key works include "Grainstack (Sunset)" (1891) by Monet; to Sep 26

NEW YORK

OPERA
Metropolitan Opera, Lincoln Center
Tel: 1-212-362 6000
www.metopera.org
Susannah: by Floyd. James Conlon conducts a new staging by Robert Falls, with a cast led by Renée Fleming and Samuel Ramey; Apr 22

New York City Opera, New York State Theater
Tel: 1-212-870 5570
www.nycopera.com
Intermezzo: by R. Strauss. New staging by Leon Major, with sets by Andrew Jackness. Conducted by George Manahan; Apr 21

PARIS

EXHIBITIONS
Musée du Louvre
Tel: 33-1-4020 5151
www.louvre.fr
Le Pyramide du Louvre à 10 Ans: programme of lectures, walks, concerts and films, celebrating the pyramid's 10th anniversary; to Apr 21

Petit Palais
Tel: 33-1-4265 1273
Maroc: Les Trésors du Royaume: A mainstay of France's year-long "Temps du Maroc" festival, this display ranges from prehistory to the present, taking in the arrival of Islam on its way; to Jul 18

OPERA
Opéra National de Paris, Opéra Bastille
Tel: 33-1-4473 1300
www.opera-de-paris.fr
Lohengrin: by Wagner. Conducted by Mark Elder in a staging by Robert Carsen; Apr 19, 22

TOKYO

DANCE
NHK Hall
The Royal Ballet tour: Swan Lake; Apr 19

TORONTO

OPERA
Canadian Opera Company, Hummingbird Centre
Tel: 1-416-363 6671
www.coc.ca
The Golden Ass: by Randolph Peters. World premiere. With a libretto by Robertson Davies, based on the ancient fable. The director is Colin Graham and the conductor is Richard Bradshaw; Apr 21, 23

TV AND RADIO

● **WORLD SERVICE**
BBC World Service radio for Europe can be received in western Europe on medium wave 648 kHZ (463m)

EUROPEAN CABLE AND SATELLITE BUSINESS TV

● **CNN International**
Monday to Friday, GMT:

06.30: *Moneyline with Lou Dobbs*
13.30: *Business Asia*
19.30: *World Business Today*
22.00: *World Business Today Update*

● **Business/Market Reports:** 05:07; 06:07; 07:07; 08:20; 09:20; 10:20; 11:20; 11:32; 12:20; 13:20; 14:20.

At 08:20 Tanya Beckett of FTTV reports live from LIFFE as the London market opens.

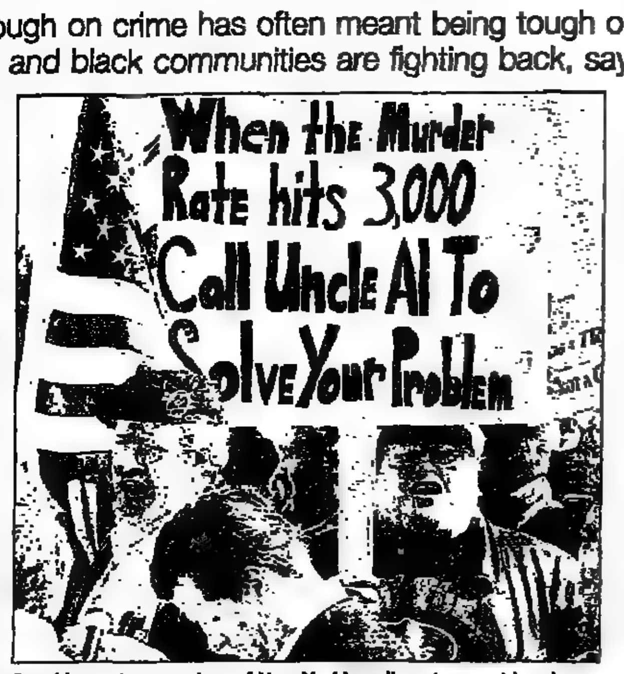
Zero intolerance

In the US, being tough on crime has often meant being tough on blacks. Now civil liberties advocates and black communities are fighting back, says Patti Waldmeir

Every society makes its own deals over law enforcement. America, more than most, struggles hard to strike a balance between the competing demands of public safety and private freedom.

But there are signs that America's 20-year-old social compact over law and order – which mandated tough cops to fight tough criminals, and which has arguably led to a steep drop in crime – is under stress.

The outrage provoked by the killing of Amadou Diallo, a West African immigrant, by plainclothes New York City police in February may have marked a turning point in attitudes towards "zero tolerance" law enforcement.



Speaking out: supporters of New York's police at a court hearing

Now white America has begun to suspect what black America has always believed: the costs of the crackdown have fallen disproportionately on innocent black and brown people.

The sickening brutality of the New York killing –(Diallo, though unarmed, was shot 41 times) – has begun to focus public opinion on the damage to individual liberties imposed by the strong-arm tactics of the law. Diallo's death had national repercussions: Janet Reno, attorney-general, has called on police departments nationwide to collect data on the use of "racial profiling" – the practice of using race to construct a profile of criminality – which formed the silent subtext to Diallo's killing.

Ms Reno asked specifically for statistics on race profiling in traffic enforcement. Highway police routinely use traffic stops for petty offences, such as halting too long at a stop sign, or changing lanes incorrectly, to look for drugs and guns.

Blacks complain that the real pretext for these stops is race, and that police have criminalised the simple fact of skin colour.

The black community, sarcastically, calls this "driving while black". Police deny they target blacks because of prejudice, but argue it is rational to focus on a group highly represented in crime statistics: more than half of US prison inmates are black, although only 12 per cent of the population is.

Now there is a move to assemble national figures on race in traffic stops, with Congress and 12 state legislatures considering bills to compel data collection.

Several state courts are hearing driving while black cases. There is a case before the Supreme Court that turns subtly on the issue of profiling: a challenge to a Chicago law that allows police to arrest anyone loitering in public with another person, if either of them are believed to be gang members. "Loitering while black" has thus joined driving while black in fuelling minority resentment.

Evidence of police bias, statistical and anecdotal, has existed for years

Evidence of police bias, statistical and anecdotal, has existed for decades. But civil liberties advocates argue that this racial bias has been reinforced by tough crime policies adopted in the 1980s.

Blacks, they say, have been disproportionately affected by the practice of "zero tolerance" (punishing small offences to deter larger ones), and "quality of life" policing (promoting a sense of law and order by punishing lifestyle infractions such as urinating in public).

"When there's a war, there are casualties," says David Harris, a University of Toledo law professor who is writing a report on profiling for the American Civil Liberties Union. "Zero tolerance: that's a war. But it should make us think twice when all the casualties are of one race."

The statistics are damning: several state and local studies have shown a vast disproportion between black drivers on the road, and those who are stopped by highway police.

In Maryland, where a court order forced police to record the race of drivers on a stretch of Interstate 95, 70 per cent of those stopped and searched were black, though only 17.5 per cent of drivers were. But in the game of duelling statistics, police have a potent weapon: the fact that there are proportionately more black criminals than white ones.

According to No Equal Justice, a new book by David Cole, a Georgetown University law professor and civil rights lawyer, per capita incarceration among blacks is seven times the rate among whites. "For every one black man who graduates from college, 100 are arrested," Mr Cole says.

Police argue these figures suggest a greater propensity to crime, and make it rational to suspect those statistically most likely to offend.

They draw a direct link to social order: "As the nation's violent crime rate continues to drop, is it an acceptable time to change police practices that have contributed to this drop?" asks Robert Scully, executive director of the National Association of Police Organizations.

Mr Cole focuses on the human and social costs of aggressive policing. He concedes that blacks make a disproportionate number of the prison population, though he argues much of this is explained by class disparities, racial inequalities in court, juries, and sentencing.

Even so, he says 98 per cent of America's black population is not arrested in any given year, compared with 99 per cent of whites.

So he asks: is it necessary to penalise so many innocent people, many of whom are not just inconvenienced but humiliated or even beaten in traffic stops? Is zero tolerance worth the price minorities pay for it, not to mention the cost to society of greater estrangement between blacks and the law?

Recently, a judge in Boston tried to do her bit to rebalance the scales of justice: in sentencing a black felony convict, she disregarded his history of previous (mostly traffic) offences on the grounds he would have had no record if he had not been driving while black. He got a light sentence.

Professor Cole argues maverick judges cannot, on their own, strike a new bargain between preventing crime and protecting the rights of citizens. He hopes legislatures will do that: by providing the data to educate Americans on the racial costs of zero tolerance.

LETTERS TO THE EDITOR

More schools mean less child labour

From Pradeep S. Mehta.

Sir, Indeed. "Sanctions over child labour 'can backfire'" (March 31). A recent study carried out by us on a small sample of child labourers in the carpet industry in Rajasthan (north-west India) shows the same facts as the findings of Dr Sonia Bhalotra of the University of Bristol, who studied them in rural Pakistan.

Lack of education facilities is another cause for the persistence of child labour. In South Asia, the phenomenon is worsened by the fact that schools do not exist, while the state expenditure on education is very low. In India it is less than 1.8 per cent of gross national product. A recent study showed that of the 188 randomly selected schools in Bihar, Madhya Pradesh, Rajasthan and Uttar Pradesh (states with a high population growth and a high level of poverty), 23 per cent had a library, 33 per cent had usable teaching kit and 41 per cent had maps or charts.

India alone has 55m children who are allegedly working. The study estimated that it would require at least $21 per child to create the right schooling facilities: that is, $1.16bn a year. This does not include an annual income of $87 per child for food and clothing, ie $4.78bn. So we are looking at a total outlay of $5.94bn a year in India to take 55m children out of work. That kind of resource the government of India does not have, and no donor will give.

Oxfam's campaign calls for a global action plan to tackle the crisis through a combination of debt relief, focused lending and cuts in military expenditure by the poorest countries. We think it needs more than that – but certainly not sanctions.

Pradeep S. Mehta,
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India

Disgraced commissioners: it's time to decide

From Mr Fergus Randolph.

Sir, As one witnesses the terrible scenes in Kosovo and sees the Serbian regime at present unbowed and unrepentant, closer to home one notices another organisation (or rather certain members thereof) also standing high when they too should be firmly on the defensive. The organisation in question is the European Commission which, despite a damning report condemning a number of individual commissioners, is still in place, notwithstanding the fact that they resigned en masse. The situation must be wholly unacceptable to the ordinary men and women of Europe who, through their taxes, are the Commissioners' paymasters.

In these troubled times, when the European Union has shown decisive and forthright action against Slobodan Milosevic, cannot this new-found unity of purpose be used to force those Commissioners named and shamed in the report, out of office? Article 160 of the EC Treaty provides that the Council of Ministers may apply to the Court of Justice to compulsorily retire any member of the Commission who no longer fulfils the conditions required for the performance of his/her public support and would have no potential for "collateral damage".

Fergus Randolph,
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Conflict of interest can be part of doing the job

From Jan Harrington.

Sir, In Vanessa Houlder's article on sponsored scientific research ("Objectivity and the cash factor", April 15), Richard Horton, editor of The Lancet, is quoted as fearing that a conflict of interest statement in a research paper may lead the public to dismiss it without judging its merits.

There are a great many other areas in which competent professionals, many in the financial services industry, make conflict of interest statements as part of their work. It should make the public aware of the conflict, without knee-jerk rejection.

If The Lancet bans conflict of interest statements, won't intelligent readers suspect that even more research is tainted by its undisclosed funding source? Could The Lancet take a statistically valid sample of published (and cancelled) work over the past two years and analyse it according to whether or not the published research (and the cancelled) helped, hindered or was neutral to the financial interest of the sponsor.

My suspicion is that few pieces of published research will show results that are detrimental to the sponsor, and little cancelled research would have produced results beneficial to the sponsor.

Jan Harrington,
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Basis for block exemption

From Mr Marc Greven.

Sir, Your leader "EU cars" (April 14) uses the launch of legal proceedings by the European Commission against DaimlerChrysler to make a case for the abolition of the automotive block exemption in 2002. This regulation, it is argued, causes wide price differences between European Union member states, does not benefit consumers, and restricts competition.

This analysis appears to overlook two basic facts. First, the distribution agreements allowed under EU law are basically the same as those of other countries such as the US and Japan. Unlike what happens in Europe, however, the benefits for consumers and competition of such agreements are not being questioned elsewhere. So, if something is good for the rest of the world, why is it not good for Europe?

Second, I would suggest that the differences in car taxation – from a mere 16 per cent in Germany to a staggering 218 per cent in neighbouring Denmark – are more of an anomaly in the single market than the relatively modest price differences that exist for motor vehicles.

Indeed, various recent studies show that price differences for motor vehicles are far smaller than for most other consumer products and services.

Whether or not the block exemption should be renewed beyond 2002 must be decided on the basis of a comprehensive analysis of its advantages and possible disadvantages, not on some isolated offences that still stand to be proven.

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PERSONAL VIEW RICHARD BRANSON

Storming America's sheltering sky

A genuine "open skies" agreement would be one in which foreigners were allowed to own US airlines and transport passengers and cargo within the United States

British aviation stands at a crossroads – literally as well as metaphorically. Our country is fortunate to be the hinge between the world's great markets of Europe and North America. Our airports, especially Heathrow, are linked to every important city and economy in the world.

Geographical location has been a factor in the success of British aviation. Another has been our competitive climate. The UK has long led Europe by privatising its state airline, and in deregulation. As a result, aviation is one of our greatest success stories.


United Parcel Service jets on the tarmac in Louisville, Kentucky AP

Heathrow is not just Europe's premier airport, it is the world's busiest international hub. The UK is home to the world's leading charter airlines and to entrepreneurial cargo carriers that have helped make our country a world beater in transporting freight.

UK consumers have real choices between air services. It is no surprise then that Britain's civil aviation contributes so much to our country's economic wellbeing.

Nor should it be any surprise that Virgin wants to see the skies truly opened up around the world, to the benefit of consumers everywhere.

We cannot sit on our laurels, however.

The aviation world is dynamic, and constantly throws up new challenges and opportunities.

For the UK, those challenges and opportunities are coming sharply into focus: high level contacts between the UK and US governments are increasing in tempo, with John Prescott, the UK transport secretary, and Rodney Slater, his US counterpart, due to meet again this week to discuss the barriers that impede a new transatlantic air services deal.

At the same time, others in the EU are saying that the time has come for the EU to negotiate with the US to get a better overall deal; and the problem of fair access to slots at Gatwick and Heathrow grows more acute.

The next step in negotiations with the US stands out as a big problem.

The US has formidable negotiating leverage, which it uses effectively.

The UK can only have one shot at the negotiation: once we open up access to Heathrow for US carriers we will have no trump cards up our sleeve. That makes it a real challenge to obtain a full and fair deal that will satisfy all of the UK's airlines and achieve real liberalisation in the US-UK aviation market.

'Some of the results we seek will not come easily – especially when the UK asks the US to treat our airlines the same way they want us to treat theirs'

Some of the results we seek will not come easily, especially when the UK asks the US to treat our airlines the same way they want us to treat theirs.

For example, US cargo airlines, particularly FedEx, want unlimited rights to fly between UK points and cities elsewhere in our EU home market, but they do not want our cargo airlines to carry as much as a piece of paper within the US market.

For other examples, take the laws on ownership and control. We can own cinemas, record stores and drinks companies in the US, but we are not allowed to run an airline.

And what if the American government (or its contractors) wants goods or people transported? That is a job only for Americans.

Yet our government buys seats or whole planeloads from whoever offers greatest value, whether British or foreign. British civil servants regularly fly to Washington DC on United Airlines.

Negotiating bilaterally with the US is an enormous challenge. But there is only one other option.

Some have argued that the EU should now take the lead in setting-up a new transatlantic aviation area.

Europe is arguably as ready for further liberalisation as it will ever be.

Its airlines are now more efficient and competitive, and most are fast moving out of state ownership.

The EU's internal aviation market is fully liberalised, helping to fulfil the achievement of the single market (Britain has benefited from this – it is no accident that the UK is the centre for the activities of so many of Europe's low-cost new entrant airlines).

On the other hand, we do not yet know who will be in the new European Commission, nor how it will set its priorities.

There are also dangers in a wider aviation area.

The new transatlantic aviation area would have to be patrolled by vigilant competition authorities – not to prevent airlines from taking commercial decisions, but to deter and deal with the sort of anti-competitive behaviour that have hurt consumers in the past.

Which ever way the government decides to move, either continuing with bilateral negotiations or seeking a wider deal through the EU, decisions taken this year will have profound implications for British aviation.

This must therefore be a time for careful reflection, not hasty decisions or partial deals.

Our successful airlines want to seize the opportunities offered by a deal for genuine US-UK "open skies" – opportunities that will bring real benefits to consumers by opening up further competition.

They will not be prepared to settle for a deal that gives away access for US carriers to Heathrow without gaining proper liberalisation in access to the US market.

Our government must think long and hard where the UK's best interests lie.

The author is chairman of Virgin Atlantic Airways

FINANCIAL TIMES
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Monday April 19 1999

India's unstable democracy

The last thing India needed right now was the collapse of another government. The fall of the Bharatiya Janata Party-led coalition, after its one-vote defeat in parliament on Saturday, marks the demise of the fourth administration in just three years. It confirms the chronic instability of the present political mixture in the world's most populous democracy, and it is likely to herald another prolonged period of uncertainty, with or without new elections.

The immediate cause of the government's fall was not ideological, but a reflection of the rise of narrow-minded regional and personality-based politics, at the expense of the main political parties, Congress and the BJP. The Hindu nationalist BJP is not entirely blameless, but nor did it deserve to fall so soon.

Atal Behari Vajpayee, the prime minister, was slow to grasp the demands of complex consensus building with regional party bosses. But in recent months there has been an important recovery in economic confidence, as the government showed a willingness to pursue the path of reform and liberalisation.

In particular, Mr Vajpayee succeeded in starting the process of dismantling the massive state subsidies for food and fertiliser, although he had to water down the reforms to keep his coalition together. The latest draft budget also contains tax reforms to rationalise the system, without showing favour to particular industrial sectors. Both moves are important steps in the right direction.

Pursuing a predictable and coherent path of economic reform, to liberalise an economy hidebound by petty regulation, corruption and bureaucracy, is one essential priority for any future government. The other is to have a stable foreign policy, to reduce tension in the South Asian region, and to seek better relations with its most important neighbours – China and Pakistan – as well as with the US.

The BJP government was guilty of raising the temperature by carrying out nuclear weapon tests last May. But since then it has shown itself ready and able to start serious negotiations with both the US and Pakistan, and indicated its readiness to sign the Comprehensive Test Ban Treaty. That was real progress.

A change of government now could call that into question. Congress, once the dominant force in Indian politics, and now merely the second-largest party, has not developed a clear position on the nuclear question, as on many other issues. It is itself a broad coalition of interests, and as such is unpredictable. Sonia Gandhi, the party's Italian-born president, has managed to restore a degree of discipline, but has yet to follow that with a clear political platform. Nor can she be sure of putting together a more lasting coalition than did Mr Vajpayee.

The options for President R.K.Narayan are therefore limited: asking for another unstable coalition to be formed, or calling early elections. The latter is still likely to produce a fractured parliament. India's political parties will have to learn to live with coalition government for the foreseeable future. It will require stronger and more astute leadership than they have demonstrated in recent years.

Brazil's recovery

Brazil is recovering from its January currency crisis at a startling pace. Within the next few days the country will mark its return to the international capital markets with a bond issue for more than $1.5bn. The improvement in economic fundamentals that has made this turnaround possible is welcome, but relief that the worst has been avoided should not give way to complacency and overconfidence.

The bond follows a steady rise in capital inflows and the restart last week of the country's privatisation programme. That Comgás, the São Paulo gas company, was sold for more than double the minimum price is a measure of the renewed confidence of foreign investors. The appreciation of the Real, which has accompanied this process, has helped contain inflation and paved the way for a faster than forecast reduction in interest rates, raising the prospect that Brazil's recession may be less severe than feared.

Even so, the fiscal deficit that has been at the root of investors' concerns throughout the crisis has not gone away. Brazil will comfortably meet IMF-agreed fiscal targets for the first quarter, but much remains to be done.

Many of the budget savings or extra revenues have been generated by temporary or short-term measures. The government is now turning attention to far-reaching change to pensions and social security, and to the tax system to cement this adjustment, but the process is fraught with political and social tensions, especially as Brazil's economy is slowing. President Fernando Henrique Cardoso has a breathing space, but he should not allow this to weaken his resolve to press ahead with reform.

A changing map

The political map of the United Kingdom is changing profoundly. But you would hardly know it from the tone of campaigning ahead of the first elections next month for the new Welsh assembly and Scottish parliament.

In Wales, for example, parochial issues, such as the "export" price of Welsh water, have been matched by obfuscation about how much "extra" money the Westminster government could provide for schools and hospitals. Alun Michael, the Welsh secretary, claims that a Labour administration in the 60-seat Welsh assembly would do better than Plaid Cymru (the party of Wales) in screwing cash out of Westminster. This is bunk. The Treasury has already fixed the assembly's revenues.

North of the border, there is at least some genuine argument about whether the Scottish parliament should use its limited revenue-raising powers. The Scottish National party wants to raise an extra 1 per cent for public services, while Labour is busy repackaging increases in health and education spending which it has already announced.

This is largely a phoney exercise, because, as in Wales, public spending will be much the same whoever wins power in the parliament. Moreover, according to the Fraser of Allander Institute in Glasgow, the Treasury has already decided that, to reflect a population decline, public spending in Scotland will rise at less than half the rate set for the rest of the UK up to 2001.

This is splendid ammunition for the nationalists. But outright separatism is unlikely to prevail in either election, although Plaid Cymru in Wales and the SNP in Scotland might deprive Labour of overall majorities.

Even so, the strong undercurrents of nationalist sentiment could combine with rows about money to create dangerous tensions in the new constitutional settlement. This is not to say that argument is all bad. It is the oxygen of democracy. And if Labour wins both elections, the government will have a breathing space to work out sensible mechanisms for resolving differences. However, it needs to show much more urgency in tackling this task.

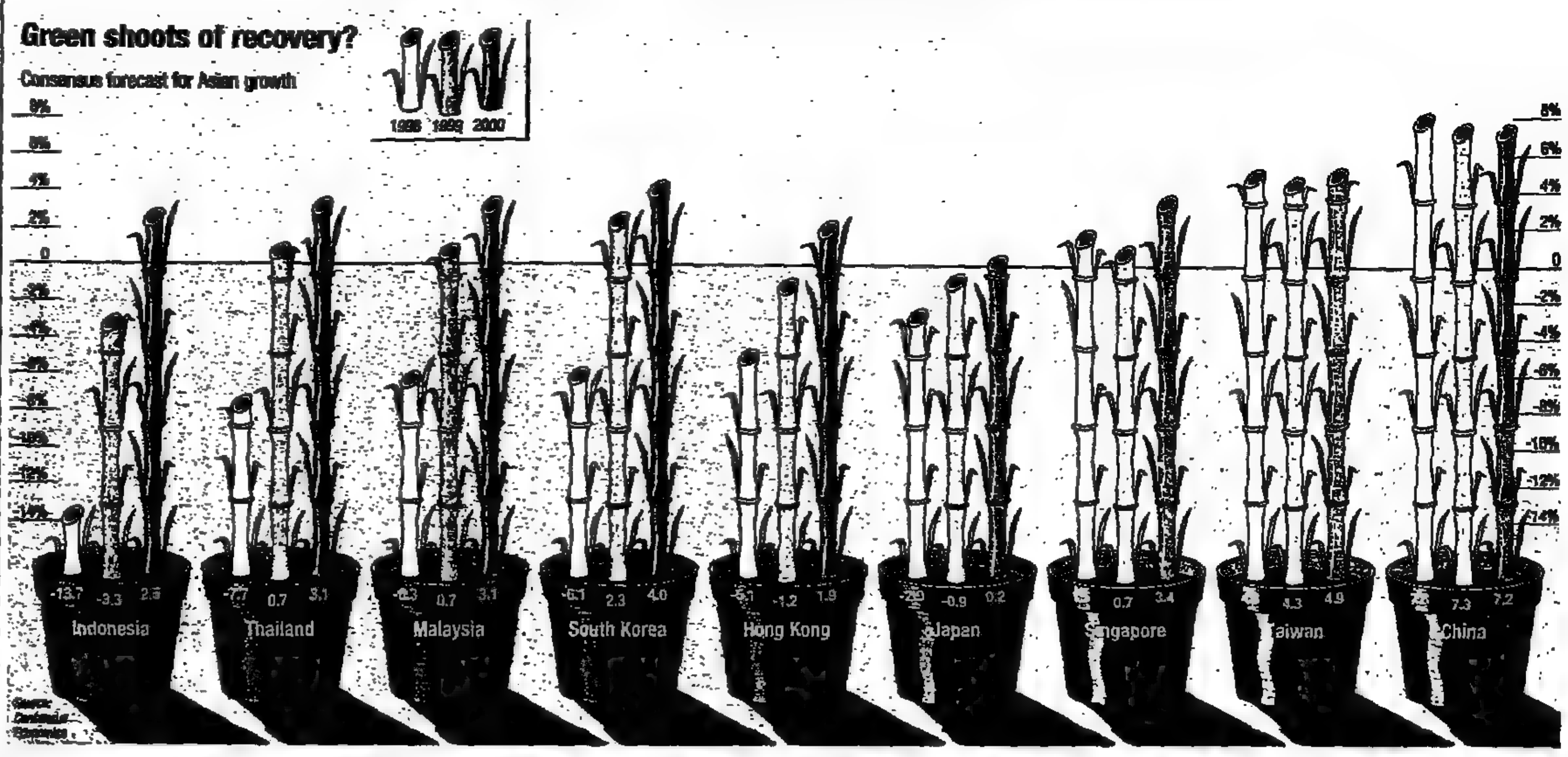
High on its list should be a forum for resolving disputes. At present it is envisaged that committees of officials and ministers will try to ensure that Westminster and the devolved administrations work in harmony – with final appeal to the Privy Council. But a more open arrangement will probably be needed. This might involve a reformed House of Lords, especially if it includes representatives of the Scottish, Welsh and Northern Irish assemblies. Co-ordination will be needed on a wide range of issues from freedom of information to the environment, and perhaps tax, reserved for Westminster.

Approaches to foreign governments and the EU will also need carefully co-ordination. The present view that all foreign policy will remain the preserve of Whitehall could prove difficult or unworkable with strongly nationalist assemblies.

Not all the consequences of devolution can be foreseen. But having devolved power at great speed, the politicians need to understand that the slow task of creating a good working relationship between the legislatures has only just begun.

False dawn in Asia

Government spending has engineered a fledgling recovery in Asia. But unless demand can be revived, the recovery will be illusory, says Peter Montagnon



Having last year sold their jewellery to the Seoul government to rescue their country's banks, the ladies of South Korea are now rediscovering a taste for expensive handbags. Asian sales at Louis Vuitton, the luxury goods arm of the LVMH Group, were up 20 per cent in the first two months of the year, compared with the start of 1998. Yves Carcelles, Louis Vuitton's president, says public confidence is returning to Korea in the wake of economic restructuring.

The French company's experience is not the only indication that Asia's economies might be on the mend.

Positive news also has come from Nordic pulp producers, who have been raising prices as demand has revived in Asia, particularly in Japan. Exports of Asia-Pacific personal computers rose 7 per cent in the fourth quarter of last year after falling in the previous three quarters.

The news has been better from financial markets too. Japanese equities have risen by more than a third since their trough last October, while those in the rest of Asia are up more than half.

Yet what sort of recovery are these markets discounting? And what is driving the apparent boost in demand?

Economists say that the change in sentiment is patchy, reflecting two developments in particular. First, inventories have been wound down, so any demand leads to quick recovery in new orders and production. This can sometimes have a rapid effect on prices, which might help explain the rebound in the pulp market. Second, economists believe Asia's incipient recovery is being driven, not by private sector demand and investment, but by large injections of government cash in China, Japan, South Korea and Thailand.

Unless there is a sustained recovery in private sector demand, economists say, the first rays of recovery could turn out to be as illusory as the first day of an English spring.

Most forecasts suggest that at best, the crisis-stricken countries will manage only marginal growth this year. China's economy will slow and Japan may not manage any growth at all.

As for the equity markets, they may be discounting a recovery in corporate earnings, helped by the reversal of foreign exchange losses now that currencies have stabilised. But this too is different from full economic recovery. Interest rate cuts and restructuring may mean earnings recover ahead of the real economy, says Chris Wood, strategist at ABN AMRO Asia.

"There's a great anxiety to read good news," adds Lee Hsien Loong, deputy prime minister of Singapore. Thanks to improving demand in the electronics sector, there are signs of a pick-up in the city state's manufacturing industry. Fewer jobs are being lost than before. But he cautions: "If you make 2 per cent [economic growth] and congratulate yourself on beating the target of 1 per cent this year, maybe you are prematurely euphoric."

Some economists expect the initial stirrings to lead on to more sustained growth later this year or early next.

Neil Saker, of SG Securities in Singapore, believes the region has made impressive strides towards restructuring during the past 18 months. Lower interest rates have helped ease the strain on cash-strapped companies that are finding it easier to obtain working capital even in the worst hit parts of the region.

The outlook varies from country to country. Taiwan, Singapore and Malaysia have benefited from rising demand for electronic goods. The Philippines, which has a functioning banking system, has benefited more from lower interest rates than Indonesia, which does not. Korea, which has gone further towards restructuring its banks, is bouncing back faster than Thailand. In Indonesia, the outlook is clouded by violence and political uncertainty ahead of June's elections.

But more general worries persist. Hung Tran, chief international economist of Rabobank International, does not see where demand might come from to absorb Asia's continuing excess capacity, particularly in manufacturing. "For this year, things have improved, but all of these economies are still very vulnerable to both external and internal shocks," Mr Tran says.

His main concern is Japan, where corporate restructuring has yet to begin. Even though the government appears to be addressing the country's banking problems, Japan is at the limit of what it can achieve through fiscal stimulus, he says. "If by next year, private sector consumption and investment don't recover, there's no support for the economy."

A similar argument applies to China, where the government has eased credit and has been pumping in public money to try to boost demand.

Some economists argue that China's ample liquidity has been one factor helping push up prices on the Hong Kong stock market as capital has flowed out. But the Chinese government is already worried about its ability to run a large fiscal deficit when low tax-collection rates limit its resources for debt service.

> 'Until the banks are recapitalised, there's not going to be any real recovery'

While high fiscal spending may be preventing a further slide in China's rate of growth, there is little evidence of a recovery. Deflationary pressures remain strong in some sectors: this month the government banned sales of colour televisions at below manufacturers' costs to lend some support to prices.

Weaknesses in the banking sectors of South Korea, Thailand, Indonesia and Malaysia also remain a problem.

Malaysia has started to recapitalise its banks and sort out non-performing loans, but the process has a long way to go. Indonesia last week began the formal process of recapitalising its banks, but the system is wrestling with a mountain of bad loans that may amount to as much as 80 per cent of loan portfolios. "Until the banks are recapitalised, there's not going to be any real recovery," says Kate O'Donoghue of Barclays Capital in Singapore.

She agrees with the view that fiscal pump priming is keeping economies going. Thailand's latest International Monetary Fund agreement allows for an increase in the fiscal deficit and the current account surplus, which suggests there is not much support coming from private sector demand, she says.

A big worry is thus that the recession may return once this initial spurt of growth peters out. Michael Taylor, of Indosuez W. I. Carr in Hong Kong, says deflationary processes often produce such "w" shaped recessions. Some of the the present recovery signals could be illusory, he adds.

Falling savings rates in Japan, China and South Korea may reflect lower personal incomes rather than an increased propensity to consume, Mr Taylor says.

The end to de-stocking also will have a technical impact on growth rates. An end to the decline in inventories in Hong Kong would add 1.6 per cent to gross domestic product this year, and 1.8 per cent in Singapore. "But this isn't real recovery. It's a case of the extraordinaries falling out," Mr Taylor says.

What might trigger a new bout of recession is harder to predict. The two most immediate concerns are the mounting violence in Indonesia and the risk in South Korea of a banking collapse arising from the restructuring of its large conglomerates.

Daewoo and Hyundai increased their indebtedness last year. The two conglomerates have debt to capital ratios of more than 500 per cent after asset revaluations are stripped out – a level that in industrialised countries would be considered close to insolvency.

Daewoo submitted a restructing plan to its creditor banks at the weekend that aims to reduce its debts by half this year by selling assets and securing foreign investment. This followed Standard & Poor's decision to downgraded the debt of Daewoo Corporation, the mother company, from B to B-, taking the company's credit standing even further into junk status. The US rating agency said Daewoo Corporation's debt had soared last year from $8bn (£4.9bn) to $18bn, while government estimates put the debt of the Daewoo group as a whole close to $50bn.

Daewoo's troubles have slowed negotiations on the government's sale of Korea First Bank to Newbridge Capital of the US because of the Korean bank's heavy exposure to Daewoo. If the sale falls through, Korea's progress in bank restructuring would suffer a terrible blow. And that would be almost as bad for confidence as a collapse of Daewoo itself, bankers say.

Even without such unpleasant reversals, Asia's recovery is set to remain shallow and fragile for some time to come, says Mr Taylor of Indosuez W. I. Carr.

It is true that some commodity prices have risen, but Japanese export prices and US producer prices have not. Until they do, fears of another recession will continue to cast a shadow over Asian companies, which need to raise prices to compensate for higher costs, Mr Taylor says.

Spare industrial capacity also will continue to dampen investment demand, economists say. And Asia's banks, even when they are returned to health, will be cautious about lending. ABB, the European heavy engineering group that has a large power business in the region, advises caution. Though it has received a $340m order from China and another $100m order from Japan, ABB speaks only of a "modest recovery in some cases".

Private equity investors also are cautious. More restructuring effort is needed, says Roger Marshall, executive director of Crosby Asset Management in Hong Kong. He does not believe Asian countries will meet most of their economic growth projections this year. "For private equity investors, there's no need to hurry."

OBSERVER

Look west, young man

Yoshikazu Hanawa, the man who heads Nissan, looks like he's warming up to the west's way of doing things. After he was spurned in March by Jürgen Schrempp and Robert Eaton of DaimlerChrysler, Hanawa laid low for days, his hopes of a link-up with the German-US concern definitively dashed.

Then, over a dinner in Tokyo at the end of the same month, he clinched a deal for a Renault-Nissan alliance with Renault chairman Louis Schweitzer, despite hefty opposition from members of the Nissan board. He still insisted that Renault wouldn't push his group into making reforms.

But, barely weeks later, it looks like he's overcome his reluctance to contemplate deeper restructuring cuts – if 5,000 job losses announced last week are anything to go by.

Slimming down Nissan is bound to be painful for Hanawa, who's been in the company as far back as anyone can recall.

Some eyebrows in Tokyo have been arching at what's seen as the latest sign of foreign clout.

But though there may be some tut-tutting at Hanawa's openness to foreign influence, Nissan executives, struggling under the burden of $34bn of debt, aren't likely to join in the chorus of disapproval.

Sure starter

Hans Eichel, who recently stepped into Oskar Lafontaine's outsized shoes, has made a studious start to his new job as German finance chief.

Though he only formally took office a few days ago, he's evidently been burning the midnight oil since his predecessor politically self-destructed last month.

Lafontaine wasn't exactly renowned for being overly informative – nor for steering clear of ideologically-charged rhetoric. But, at a weekend get-together for EU finance types in Dresden, Eichel cut a very different figure, showing himself in command of a range of dossiers.

Still, it may not be so easy for the unassuming tax expert to reassert Germany's traditional leadership of the European finance ministers' coven.

His French counterpart, Dominique Strauss-Kahn, is pretty determined on wearing the intellectual trousers in the 11 nation euro-bloc, and keeps on coming out with policy co-ordination plans to prove it.

And where in all the jockeying for position is Britain's Gordon Brown?

Not for the first time, the UK finance minister left an EU meeting before its end.

After all, elections are looming in Brown's native Scotland. The sound of the bagpipes must have spirited him away.

Close neighbours

For years the two buildings have stood side by side in the heart of old Madrid, one long the home of one venerable bank, the other of its rival.

Today, the rivalry is no more. Emilio Botín, the head of Banco Santander, is moving into the fourth floor of the old headquarters of Banco Hispano Americano, where he starts as co-chairman of the newly merged BSCH group. Next door is the ancestral home of the once mighty Banco Español de Crédito, which fell into Banco Santander's hands five years ago.

Now, after mergers and takeovers and relentless financial consolidation, the two buildings finally belong to the same group. It just took a century or so on the same block to get there.

Culture war

Sir Norman Foster looked unusually defensive yesterday as he stood before Germany's cameras to defend his latest creation – the restored Reichstag building in Berlin, where the German parliament will decamp in September.

Not only does the architect come from Britain rather than eurozonia – though he says he prides himself on being European – but his creation has been slated for its alleged timidity.

That's a bit rich when the steel and glass building concerned is a light, all-but transparent construction topped by a high-tech cupola.

And when Foster compared the new Reichstag with other parliaments, the defensiveness disappeared. What, for example, could British parliamentarians learn from the new German building? "An awful lot," he growled back, all that self-effacing stuff quite forgotten.

Bowled over

Business types have been around China for ages, trying to convert the world's most populous nation to foreign ways of doing things. Sports evangelicals also roam the land. Already soccer and basketball seem as indigenous as ping pong – and offer much juicier marketing opportunities.

One very big challenge remains: perhaps the most inscrutable sport of all. To many eyes, cricket seems not just foreign but positively extra-terrestial. But at the weekend Shanghai Cricket Club hosted a competition involving Japanese and Chinese teams.

The club hasn't been able to get its own pitch just yet. Instead, all the batting and bowling took place on the grounds of the local rugby side: the Shanghai Hairy Crabs.

The Financial Times

100 years ago

The Coal Strike in Belgium
Six thousand two hundred more miners in the Charleroi coal district have gone out on strike, making a total of about 12,000. Meetings to promote the spread of the strike have taken place at Charleroi, Montigny-sur-Sambre, Châtelineau and Gilly. Everything is quiet but the gendarmerie and troops are patrolling the districts. In the Mons district ten thousand miners ceased work yesterday morning , and it was believed that the strike in that district would become general in the evening.

50 years ago

Franc rate rumours denied
No further devaluation of the French franc is imminent, M. Paul Reynaud, former Prime Minister of France, declared yesterday.
M. Reynaud described reports from Paris that further franc devaluation was pending as "just stories". He expressed the belief that devaluation is more of a problem for other Western European currencies than for the French franc. Other European currencies, he said were overvalued in respect of the dollar.

FINANCIAL TIMES

MONDAY APRIL 19 1999

THE LEX COLUMN

Re-emergence

Have investors forgotten last autumn's financial crisis? Not entirely, perhaps, but they have certainly regained a healthy appetite for risk. Brazil is about to return to the capital markets. Colombia's recent \$500m bond issue was six times subscribed. The spread to US Treasuries of the JP Morgan emerging market bond index has halved to 900 basis points since August 1998. And emerging market equities have rebounded more than 20 per cent since January – in dollar terms – as measured by the IFC emerging market index.

The improving outlook for global growth is one key. In the past this has supported the relative performance of emerging markets. The speed with which Brazil has stabilised since January's devaluation has boosted confidence. And the continued strength of the US economy will have a beneficial knock-on effect, particularly on Mexico. A healthy earnings recovery in Latin America later this year now looks increasingly likely. In Asia, meanwhile, restructuring, including takeovers and privatisations, as in Korea, is gaining pace.

Against that backdrop, valuations look attractive. Asia is trading on 17 times estimated 2000 earnings and Latin America on just 13 times. The JP Morgan index is still far shy of its 1997 high, when its spread narrowed to just 375 basis points. With scope for risk premiums to continue shrinking, the emerging markets rally should have further to go.

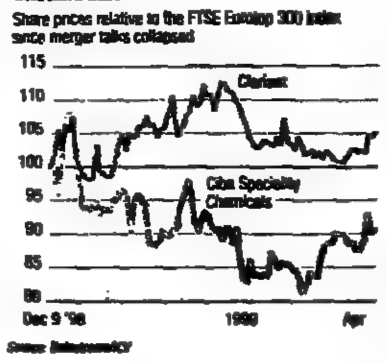
Clariant

What should Clariant do now that it has trotted up two strategic blind alleys? The collapse of merger plans with Ciba Speciality Chemicals has not done the company any obvious harm, but the same does not apply to last week's breakdown of takeover talks with Laporte. Ciba does not look in great shape: there are concerns over its plans to restructure its polymers division and the price it paid for the UK's Allied Colloids business. These worries have weighed on its stock, and the surprise is that the shares have not underperformed more. Ciba still trades on a cash-flow premium to Clariant.

Clariant, on the other hand, is gaining plaudits for squeezing out cost savings, although it is unclear how much of the

Clariant/Ciba

Share prices relative to the FTSE Eurotop 300 index since merger talks collapsed



Source: Datastream/ICV

total SFr500m (\$340m) projected for end-1999 will have to be handed over to customers. The cost-cutting is propping up margins, which increased from 11.4 per cent to 12.6 per cent in 1998. But these savings cannot produce turnover growth and Clariant's top line is looking wobbly. Sales fell 6 per cent in 1998, and 8 per cent in the first quarter of 1999.

This is why the collapse of takeover talks with Laporte is more of a blow. Laporte would have been a good fit, especially in fine chemicals, and it would be a shame if the deal could not be resurrected. The market would then have to fall back on hopes of a deal with Lonza – currently owned by Alusuisse.

Online brokers

Even by internet standards, the growth in US online brokers has been explosive. There are now 92 of them, most not yet of school age. Shares in Ameritrade have risen eight-fold this year, E*Trade is up 400 per cent and Charles Schwab's \$46bn market value is 50 per cent larger than that of Merrill Lynch. With online trading volumes rising 30-35 per cent every quarter (against 5 per cent for the stock market), investors have homed in on one of the few areas on the net that promises quick profits.

But web brokers remain dangerously dependent on day traders piling in and out of technology stocks, which makes them vulnerable to a market downturn. With the exception of Schwab, which started as a traditional broker, none has yet built a brand *inspiring much trust* or loyalty. Nor have they attempted to build up content, by adding, say, analysts' research, to their sites. Even their prime selling point – cheap, rapid execution – remains threatened by technical problems such as those experienced by E*Trade in February. Meanwhile, the big Wall Street brokers are getting serious about the web. So far, they have been afraid of cannibalising existing business, but Schwab, which had the courage to do so, has proven a huge success. Merrill now seems bent on imitation. Others, such as Goldman Sachs, may prefer to acquire. A handful of internet brokers may prosper as low-cost niche operators. Others may be lucky to sell out at the top. But for most, the future looks bleak.

Canal Plus

One beneficiary of Olivetti's hostile bid for Telecom Italia could be Canal Plus. Sceptical of the merits of competing with the French pay-television operator's dominant Telepiu subsidiary, Telecom Italia's besieged chief executive, Franco Bernabe, may look kindly on Canal's offer to buy the subscribers of its loss-making start-up, Stream. Canal's chief executive, Pierre Lescure, has mentioned under \$1,500 per head. If political obstacles could be overcome, restoring Telepiu's monopoly for \$100m would be a bargain.

Curbing rampant rights inflation should hasten Telepiu's return to break-even. That would strengthen Canal's hand in its long-running attempts to bring in local Italian partners to Telepiu by selling on half of its 90 per cent stake. That would at last bring an end to the unsatisfactory situation in which the loss attributable to this hypothetical 45 per cent stake – amounting to FFr393m (\$64.42m) last year – is inexplicably accounted for as an exceptional item.

Such legerdemain is a problem for investors. Despite its broad pan-European portfolio of pay-TV businesses, the French group remains 15-20 per cent cheaper than UK-dependent BSKyB on an earnings before interest, depreciation and tax basis, and could not have expected much more than 40-45 per cent if the two were to merge. How long Vivendi, its 34 per cent shareholder, will put up with that is open to question.

CONGRESS PARTY TRIES TO ASSEMBLE COALITION AFTER GOVERNMENT FALLS

India may face its third election in three years

By Mark Nicholson in New Delhi

India's Congress party yesterday began the Herculean task of patching together a coalition government to replace the Bharatiya Janata party-led grouping ousted at the weekend, amid signs that it would struggle to make up the numbers.

Atal Behari Vajpayee, who resigned as prime minister after losing a confidence vote on Saturday, said India was heading for its third general election in as many years as the country lurched further into political crisis. "Whether we like it or not, we are heading for a mid-term poll," he told party workers yesterday. The surprise one-vote defeat of the 13-month coalition by MPs, following a last-minute change of heart by a small regional party, leaves India facing days of political haggling and constitutional debate.

Indian stocks fell 7 per cent in a special trading session on Saturday on news of the BJP's defeat – reversing gains made on Friday on hopes that Mr Vajpayee's government could survive. Brokers expect further falls today. The fate of the BJP government's February budget, still awaiting parliamentary approval, has been thrown into doubt. Congress party leaders hinted they may allow it to pass, even without prior formation of an alternative government. They and BJP leaders will meet the president today to discuss such a move.

But the political uncertainty threatens to stall a heavy backlog of legislation and, more critically, to affect post-nuclear test talks with Pakistan and the US.

Washington will be particularly concerned about Delhi's ability to deliver on a conditional promise to sign the Comprehensive Test Ban Treaty before the September deadline.

Pakistan is keen that its recent dialogue with its larger neighbour to resolve conflicts does not become a victim of the change in New Delhi. Nawaz Sharif, Pakistani prime minister, said the Lahore declaration, agreed with Mr Vajpayee earlier this year, would be unaffected by the fall of the BJP government. It commits both countries to work for improved relations and to continue discussion on contentious issues.

The shape of a workable Indian government remained unclear, with the Congress party preparing to stake a claim to replace the BJP coalition but awaiting a formal invitation to do so from R.K Narayanan, the president. "Now it is for the president to institute the constitutional process," said Pranab Mukherjee, a senior Congress leader.

Sonia Gandhi, the Italian-born Congress party president and widow of the assassinated Rajiv Gandhi, would be expected to lead the party's bid, although party leaders refused to confirm that she would necessarily be a candidate to become India's first foreign-born leader.

However, with only 142 seats in parliament – against 182 for the BJP – the Congress party needs the support of more than a dozen smaller parties to stake a realistic claim.

Congress sees Gandhi as new coalition leader, Page 4
Editorial Comment, Page 17

30m Russians face extreme poverty, World Bank to warn

Economy forecast to decline 8.3 per cent, hitting families worst

By Andrew Jack in Moscow

Up to a fifth of Russians may be living in extreme poverty by next year, the World Bank will warn next month.

The full effects of last August's financial crisis on economic growth and household incomes will continue to worsen this year and will increase poverty to a peak in early 2000 affecting up to 30m people, according to a preliminary analysis carried out by the bank due to be published in May.

It suggests that the worst-affected Russians will not be pensioners but families with children, particularly those living in small and medium-sized towns who have less access either to rural land to grow food or to large cities with alternative employment opportunities.

The World Bank analysis assumes a decline in the size of the Russian economy of 8.3 per cent in the current year – considerably beyond the forecasts of other organisations. It assumes inflation of 60 per cent.

But even its more modest projections suggest a growth of those in extreme poverty to 18.5 per cent in 2000. Extreme poverty is defined as those living on less than half the official subsistence minimum income, which stood at Rbs830 (\$35) a month in February.

Reliable statistics in Russia are difficult to compile, with debate over the techniques used and many people reluctant to provide accurate information.

Russia has one of the highest differences in the world – of two-to-one – between the amount people say they spend and the income they claim to earn.

There is also a huge unrecorded "grey economy" of informal jobs that help people survive despite low wages and social security benefits – often paid late – estimated by the World Bank as up to 43 per cent of the Russian economy.

Michal Rutkowski, sector leader of the World Bank's social protection department, stressed that the poorest groups often did not have access to such alternative sources of income.

He added that there was already a trend towards an increase in extreme poverty in Russia well before the August crisis, from 11 per cent of the population in 1994 to 15 per cent in 1997.

Mr Rutkowski said the analysis showed the need for far more detailed targeting of government social programmes. The World Bank has launched pilot projects in three Russian cities.

CONTENTS

Gunmen move in: East Timorese pro-Jakarta militiamen arrive in Dili as violent attacks on independence activists increased. Page 4 — Reuters

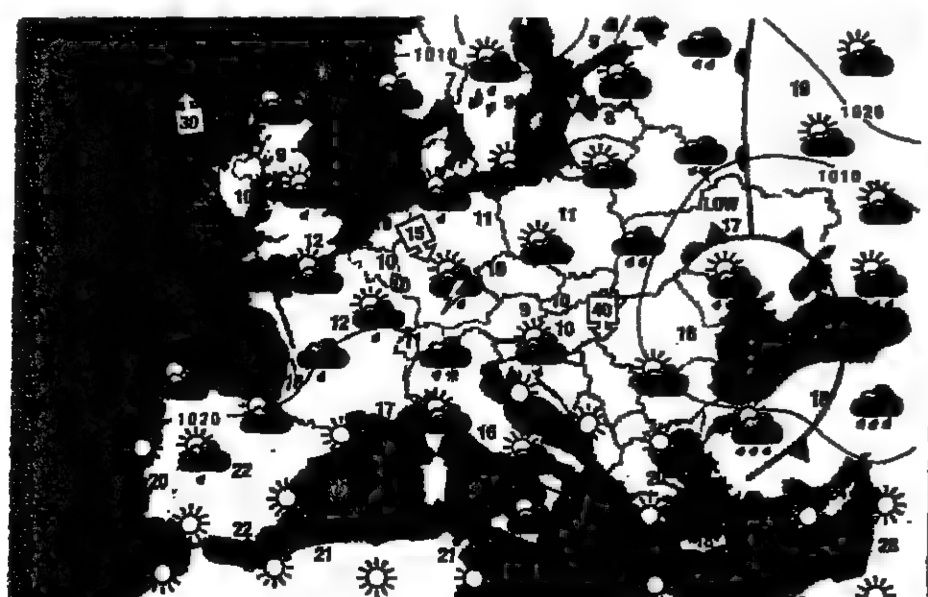
FT WEATHER GUIDE

Europe today

Northern Scandinavia will have rain, sleet and hill snow, but southern parts will have sunny spells and showers. Eastern Europe will have heavy, thundery rain along a frontal system from north-east Russia to the Black Sea. From eastern France to Poland, it will be chilly with sunny spells and showers. There will be snow over the Alps. Western France will become cloudy and wet. The Mediterranean will be dry and sunny, although scattered showers will develop in the east.

Five-day forecast

Western and central Europe will become milder as rain spreads eastwards, with France having the worst of the rain. Eastern Europe and the northern Balkans will have rain, some heavy and thundery. Scandinavia will be cold with sunny spells and wintry showers. It will become milder in the south, with rain moving in on Wednesday.



Situation at midday. Temperatures maximum for day. Forecasts by PA WEATHERCENTRE

TODAY'S TEMPERATURES

		Maximum Celsius
Abu Dhabi	Sun	33
Accra	Fair	31
Algiers	Fair	21
Amsterdam	Fair	10
Athens	Sun	20
Atlanta	Sun	22
B. Aires	[illegible]	19
B.ham	Shower	10
Bangkok	Fair	33
Barcelona	Fair	16
Beijing	Sun	22
Belfast	Fair	10
Belgrade	Fair	16
Berlin	Fair	11
Bermuda	Fair	23
Bogota	Fair	16
Bombay	Sun	34
Brussels	Shower	10
Budapest	Shower	10
C.hagen	Shower	8
Cairo	Fair	29
Caracas	Fair	29
Cardiff	Cloudy	11
Casablanca	Fair	20
Chicago	Rain	10
Cologne	Shower	10
Dakar	Fair	24
Dallas	Fair	29
Delhi	Sun	37
Dubai	Sun	31
Dublin	Shower	10
Dubrovnik	Sun	12
Edinburgh	Shower	8
Faro	Sun	20
Frankfurt	Shower	9
Geneva	Shower	11
Gibraltar	Sun	20
Glasgow	Fair	9
Hamburg	Shower	10
Helsinki	Fair	9
Hong Kong	Rain	28
Honolulu	Fair	29
Istanbul	Fair	17
Jakarta	Fair	32
Jersey	Shower	10
Johannesburg	Thunder	23
Karachi	Sun	34
Kuwait	Sun	34
L. Angeles	Fair	25
Las Palmas	Fair	22
Lima	Cloudy	24
Lisbon	Sun	20
London	Shower	12
Lux.bourg	Hail	10
Lyon	Fair	12
Madeira	Fair	20
Madrid	Sun	22
Majorca	Sun	18
Malta	Fair	18
Manchester	Shower	11
Manila	Fair	33
Melbourne	Fair	21
Mexico City	Fair	29
Miami	Sun	28
Milan	Fair	15
Montreal	Fair	10
Moscow	Fair	19
Munich	Rain	8
Nairobi	Fair	27
Naples	Fair	16
Nassau	Fair	[illegible]
New York	Fair	15
Nice	Fair	17
Nicosia	Sun	24
Oslo	Hail	7
Paris	Shower	12
Perth	Sun	28
Prague	Shower	10
Rangoon	Cloudy	33
Reykjavik	Shower	6
Rio	Cloudy	24
Rome	Fair	16
S. Frsco	Fair	21
Seoul	Fair	22
Singapore	Thunder	33
Stockholm	Shower	8
Strasbourg	Rain	9
Sydney	Fair	21
Tangier	Sun	22
Tel Aviv	Sun	28
Tokyo	Shower	20
Toronto	Fair	11
Vancouver	Fair	14
Venice	Thunder	12
Vienna	Cloudy	9
Warsaw	Shower	11
Washington	Fair	17
Wellington	Fair	16
Winnipeg	Sun	9
Zurich	Thunder	7

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FINANCIAL TIMES
COMPANIES & MARKETS
© THE FINANCIAL TIMES LIMITED 1999 MONDAY APRIL 19 1999 Week 16

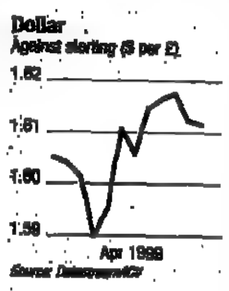
INSIDE

Bid war intensifies for Endesa Chile
Grupo Endesa of Spain and Duke Energy of the US are slugging it out for control of Endesa Chile, one of Latin America's largest electricity generators. The Spanish group has until tomorrow to respond to Duke's new offer of $2.8bn for 60 per cent of the generator. Page 21

Global One talks continue
Deutsche Telekom, France Telecom and Sprint of the US are still in discussions over the 1999 budget for Global One, their joint venture designed to provide telecoms services to multinational customers, following Sprint's refusal last month to approve the budget. Page 21

Electra fends off hostile 3i bid
Investment Trust has rebuffed a cheekily low £1.3bn ($2.1bn) hostile cash and paper offer from 3i. Shareholders will discover whether they made the right choice as they watch the relative performance of 3i shares and the Electra wind-up vehicle. Page 20

Sterling awaits market prompts



Source: Datastream/ICV

Three items of information will affect the performance of sterling this week in London: minutes of the Bank of England's monetary policy committee meeting for April; labour market data; and the first estimate of gross domestic product for the first quarter of 1999. A robust out-turn for GDP should help sterling maintain its $1.60-1.70 range against the dollar. Page 26

Latin America pays back its friends
Loyal investors have been rewarded by the bounce-back in Brazil, where share prices are more than 80 per cent higher in dollar terms than when the Real was devalued. Page 24

Toronto discovers size does matter
In 1995 the Dow Jones Industrial Average and the Toronto Stock Exchange's 300 composite index stood at about 4,000. Today, the TSE 300 stands at 7,000 while the Dow is over 10,000. Analysts say Canadian companies are too small for the TSE to keep pace. Page 23

Mining shares tap seam of fortune
A mania for mining shares saw money moving out of technology stocks in the US and into cheaper cyclicals, pushing the S&P 500 metals and mining index up 20 per cent. Page 22

Australia hits corporate bond record
Record issue volume of A$3.6bn ($1.4bn) in March in Australia's corporate bond market brought issuance in the first quarter to A$5.2bn, highlighting the growing diversity and range in the domestic debt market. Page 23

Japan profits from domestic favour
Japanese corporate culture favours continuity, so it was no surprise when IDC's board recommended a takeover bid from NTT, Japan's largest telecommunications group, instead of one from Cable and Wireless of the UK. Page 24

FT GUIDE TO THE WEEK
– full listings Page 36

BANANA SANCTIONS AWAIT GREEN LIGHT
The World Trade Organisation is due to give the US the go-ahead today to impose sanctions on luxury goods from the European Union in response to what it sees as unfair discrimination against Latin American banana imports.

DIAMOND DISPUTERS TAKEN TO TASK
A Pretoria taskforce reports on Tuesday on the tax assessments dispute between De Beers and the South African government that has held up the country's diamond exports for weeks.

VENEZUELANS VOTE ON CHAVEZ VISION
Venezuelans go to the polls in a plebiscite on Sunday to decide on a constituent assembly that would rewrite the constitution. The assembly is the keystone of president Hugo Chavez's plans to found a new republic.

COMPANIES IN THIS ISSUE

MARKET STATISTICS

Telecoms groups confirm talks

Telecom Italia and Deutsche Telekom discuss merger

By Paul Betts in Milan, Ralph Atkins in Bonn and William Lewis in New York

Telecom Italia and Deutsche Telekom last night formally confirmed for the first time that they were negotiating a merger which, if successful, would lead to a new European telecommunications group with more than €60bn ($64bn) in annual revenues and 350,000 employees.

The privatised Italian group, currently struggling to fend off a €60.4bn hostile bid from Olivetti, its smaller Italian rival, was forced to show its hand after Consob, the Italian stock market regulator, demanded a statement before the opening of the markets today.

Consob made the request on Friday after the Financial Times disclosed that the Italian and German companies were in merger talks.

The Italian group said it and Deutsche Telekom were jointly examining an alliance that hinged on several unspecified issues. It gave no details of their plans, which were still being evaluated.

Telecom Italia's board is expected to meet today and the two companies were aiming to publish the terms of their prospective deal as early as tomorrow morning.

The companies' chief executives – Franco Bernabe of Telecom Italia and Ron Sommer of Deutsche Telekom – are also understood to have met over the weekend.

The merger is expected to be structured as a union of equals with Telecom Italia shareholders owning more than 40 per cent of the combined group.

The new group is likely to have just one class of equity, implying that holders of Telecom Italia non-voting savings shares will be bought out. However, the future of the minority shareholders of Telecom Italia Mobile (TIM), the Italian company's 60 per cent owned cellular telephone unit, is likely to be resolved at a later stage.

The companies are working on a provisional value of about €12 a share for Telecom Italia compared with Olivetti's €11.5 a share hostile bid in cash, bonds and equity, although a final value has yet to be agreed. Some suggested last night it could end up at about €13 a share.

Olivetti was yesterday still refusing to comment on the latest developments in Europe's biggest post-war takeover battle.

But the group was understood to be determined to press on with its €60.4bn bid.

Consob has yet to approve Olivetti's formal bid prospectus. Unless approval is given by Thursday Olivetti will be unable to launch its bid before an end-April deadline set by the regulator, and its offer will lapse.

Under Italian takeover rules, an offer can only be launched five working days after the prospectus has been approved by Consob.

Intesa set to propose alternative banking merger

By Paul Betts in Milan

Banca Intesa, the north Italian banking group, is poised to propose an alternative merger with Banca Commerciale Italiana if UniCredito Italiano's share exchange bid for BCI collapses.

Banca Intesa appeared to have been left out in the latest wave of consolidation in the Italian banking industry when UniCredito and San Paolo-IMI three weeks ago launched share exchange bids for BCI and Banca di Roma respectively.

The two bids were regarded as the prelude of a radical reshaping of Italy's banking sector with profound implications for Mediobanca, the Milan investment bank that has traditionally played the role of power broker in Italian big business and finance.

However, Mediobanca's veteran honorary chairman Enrico Cuccia and its chief executive Vincenzo Maranghi have launched a rearguard action to attempt to block the two proposed mergers.

Antonio Fazio, the governor of the Bank of Italy, has also expressed misgivings over the two mergers, which the central bank has yet to approve.

The doubts of the central bank, whose governor is due to address the Italian parliament tomorrow on the issue of banking mergers, appears to have provided Banca Intesa with an opportunity to enter the fray.

Giovanni Bazoli, Banca Intesa's chairman, refused to comment on his group's plans except to say Intesa, with total assets of about L229,000bn (€118bn, $127bn) would announce any deal when it is done. The bank also suggested it would not launch any unsolicited offer and would only make a concrete proposal for BCI if the Milan bank's negotiations with UniCredito failed.

An eventual deal between Intesa and BCI would have widespread repercussions on the European banking system. Crédit Agricole of France owns 22 per cent of Intesa and is regarded as one of the most likely candidates to take a large stake in Crédit Lyonnais of France when it is privatised. Commerzbank of Germany, a BCI core shareholder, has also expressed interest in the Crédit Lyonnais privatisation.

MLM denies it was negligent in managing funds

UK's largest pension fund manager admits to poor investment decisions

By Jane Martinson, Investment Correspondent

Merrill Lynch Mercury, the UK's largest pension fund manager, has denied charges it was negligent in managing some clients' funds, but admitted it made some poor investment decisions.

Its defence comes as some former clients, including the Unilever pension fund, are considering claiming compensation for severe underperformance.

In an interview with the Financial Times, Carol Galley and Stephen Zimmerman, co-heads of MLM, blamed the underperformance of some of its funds in 1997 on poor investment decisions and not a lack of control.

"We don't believe there has ever been a breach of contract or negligence in any way for any of our clients," said Mr Zimmerman. MLM refused to comment on individual clients.

Miss Galley acknowledged that the variation in performance between some of the group's funds in 1997 was "not acceptable". New procedures designed to ensure greater consistency have been established since then.

It emerged last month that Unilever's pension fund was investigating the possibility of seeking compensation from MLM following an underperformance of 10 percentage points against a benchmark set by Unilever in 1997. Other pension funds such as J Sainsbury have indicated they could follow suit if MLM were found to have breached risk controls by allowing fund managers too much discretion in picking individual stocks or sectors.

Miss Galley said: "The risk monitoring procedures here are very careful, very transparent and very thorough."

MLM took a bearish stance on the market at the beginning of 1997, she said, after failing to spot the impact of greater liquidity in a narrow market.

Criticism has also focused on MLM's practice of allowing its fund managers to take big bets on individual stocks, thereby leading to wide differences in portfolio performance.

Largely in reaction to this dispersion, the group has created a three-man investment team that decides an appropriate weighting for each share sector. Individual fund managers can now deviate from the team's view by only 2 per cent compared with 4 per cent in 1997. MLM has even set a target overall group holding in British Telecommunications.

In future fund managers will be compensated more on the basis of collective rather than individual performance. The group is understood to have won a record $8bn of new business in the first quarter, despite institutional losses.

This oil pipeline in Georgia's Black Sea port of Supsa, tapping reserves 830km away in the Caspian Sea, was officially opened on Saturday in a ceremony of heads of state and oil barons. Report, Page 3 Picture: AP

First Choice tells Airtours not to launch 'reckless' counter-bid

By David Blackwell

First Choice, the UK tour operator that has agreed to merge with Switzerland's Kuoni, has warned Airtours not to launch a hostile counter-bid and upset the holiday market with "a reckless gamble".

Airtours is believed to be preparing a £750m ($1.2bn) bid for First Choice, but Ian Clubb, First Choice chairman, said it was unlikely Airtours' competitors would let the bid proceed without joining in.

A bid would also raise substantial regulatory issues. A regulatory inquiry could take six months – "during which time First Choice would be severely damaged by the uncertainty during its peak summer trading period", Mr Clubb said.

The industry had experienced this kind of destabilised market before, he added. "A repetition of these conditions can only destroy shareholder value."

If successful, Airtours, which has refused to comment, would wrest market leadership of the UK tour operating market from Thomson Travel. Shareholders are likely to be encouraged by the prospect of the combined group's market capitalisation of about £3bn. This capitalisation would be big enough to make the group a contender for membership of the FTSE 100 index.

Airtours will want to be sure of its ground before making a move. Six years ago the group failed in a hostile £221m, all-paper attempt to take over First Choice, then known as Owners Abroad.

That attempt turned into a dogfight, ending only when Thomas Cook, controlled by Germany's Preussag, took a large stake in Owners Abroad.

However, consolidation in the UK travel industry has been accelerating since the end of 1997 when a Monopolies and Mergers Commission report cleared it of uncompetitive practices.

Airtours and First Choice between them would have 21 per cent of the UK tour operating market, compared with 19 per cent for Thomson.

PHILIP COGGAN
GLOBAL INVESTOR

The measure of change

Were markets irrational in the past or are they irrational now? That is the puzzle thrown up by the US stock market's shattering of all previous absolute (and even some relative) valuation yardsticks.

Investors have learnt to forget such historical standbys as the dividend yield or the price/earnings ratio as a means of assessing Wall Street. Such measures would have caused them to sell the market several years ago and miss one of the best bull runs in history.

The rebound of equities since October and the modest uptick in bond yields have knocked away another pillar of support. A marvellous web site (www.dismal.com) allows investors to use a simple valuation model for the US, one that compares corporate profits growth over the next 12 months with a risk free rate, the 10-year Treasury bond yield. One can select from a range of profits forecasts and bond yields. Slot in 5 per cent profits growth and the current 5 per cent T-bond yield and one finds the S&P 500 index is 16.6 per cent overvalued. This is not a biased selection; if one uses the prevailing bond yield, there is no way the site can be used to make the market fairly valued, even assuming 20 per cent profits growth.

All this is pointless, according to a recent Wall Steet Journal article by James Glassman and Kevin Hassett of the American Enterprise Institute. Mr Glassman and Mr Hassett argue that standard models assume investors require a risk premium from equities. But in fact, over the long run, equities are no riskier than bonds and cash and so the risk premium should be zero. On that basis, and given current assumptions for economic growth and Treasury bond yields, the Dow Jones Industrial Average should be about 36,000.

Tempting though it is to dismiss this theory as a symptom of a long bull market, there is an element of commonsense about it. In recent history, equities have outperformed bonds during the good times, such as the 1980s, because of the effect of economic growth on corporate earnings, while in the bad times, the inflationary 1970s, equities performed poorly but bonds did even worse.

But if we assume the authors are right, why have investors demanded a risk premium in the past? It is not news that stock markets have outperformed in the long run.

A similar amount of head-scratching was needed at the end of the 1950s, when the dividend yield on equities dropped below bond yields for the first time. Then, the argument was that the equity market was increasingly dominated by institutional investors who, because of their big portfolios, had managed to eliminate the "specific risk" of holding individual stocks.

Mr Glassman and Mr Hassett's explanation for the recent fall in the risk premium, in contrast, is that US retail investors have gradually become more educated about the long-term benefits of owning shares.

But it seems hard to understand why the UK market, dominated by institutions, has been slower to rerate equities relative to bonds than Wall Street, with its bigger retail involvement.

Of course, US retail investors have an element of diversification to the extent that they have been buying mutual funds. But anyone who has watched CNBC or talked to US individual investors will know they are keen on individual stocks as well; their portfolios surely have more specific risk than the average pension fund.

And, whatever one thinks of UK pension fund managers, does it seem likely that they are less rational than the average US private investor, who recently, for example, drove up the stock of one internet company by 39 per cent in a day because it might have a stock split.

Furthermore, it seems more likely that institutions, rather than private investors, will have the 20-year horizon needed to ride out the short-term volatility of shares.

Private investors may well appear to be paragons of long-termism, squirreling their funds into pension plans to ensure a prosperous old age. But while they have seen the occasional blip in the US market, they have not been tested by a long bear period since 1982. Then they might discover just what risk is all about.

COMPANIES & FINANCE

Lloyd Webber to take back control of RUG

By Alice Rawsthorn

Lord Lloyd Webber, multi-millionaire composer of such hit musicals as *Cats* and *Phantom of the Opera*, has agreed terms to take back full control of the Really Useful Group (RUG), his master company, by buying a 30 per cent stake from Seagram, the Canadian entertainment concern, for $75m (£46.5m).

Seagram, which acquired the minority shareholding in RUG as part of last year's $11bn takeover of the PolyGram music and film group, is also discussing a similar deal to sell a stake in the US arm of UK-based London Records, the record label behind All Saints and New Order.

The London disposal is also a legacy of the PolyGram takeover. The UK part of London Records, and the remaining 50 per cent of its US subsidiary, is owned by a trust linked to the family interests of Roger Ames, former head of worldwide music at the old PolyGram group.

Since the takeover, Mr Ames has been courted by a number of multinational music groups including Germany's Bertelsmann, EMI of the UK and Universal Music, the Seagram subsidiary that has absorbed PolyGram's record labels.

Mr Ames is understood to have accepted a senior post at Warner Music, part of Time Warner, the US media group. However, he is keen to complete the purchase of Seagram's interest in London Records' US arm and to terminate its worldwide distribution contract with the label before formally joining Warner.

Selling the RUG stake to Lord Lloyd Webber has proved to be a simpler deal for Seagram. Lord Lloyd Webber, who sold the 30 per cent holding to PolyGram a few years after taking RUG private, started negotiations with Seagram as soon as it completed its $11bn bid in December.

RUG, which also owns the copyrights to *Sunset Boulevard*, *Aspects of Love* and *Joseph and the Amazing Technicolor Dreamcoat*, fell into the red a few years ago, but came back into the black and made profits of £12.5m last year. *Whistle Down the Wind*, Lord Lloyd Webber's latest musical, floundered during its US test-run, but is now playing in London in a rewritten version.

Under the terms of the agreement with Seagram, concluded over the weekend and due to be completed in June, the rights to distribute RUG's recordings will continue to be held by Universal Music.

Well-connected attack proves to be best form of defence

Katharine Campbell looks at the tactics employed by Electra Investment Trust as it managed to rebuff a hostile bid from 3i

Up half a dozen flights of cold concrete stairs, in a dusty attic at Plaisterers Hall in the City, Electra Investment Trust was reconvening an extraordinary meeting that would seal the fate of a venerable name in UK venture capital.

It was 7pm on Thursday and the denouement to a three-month long bid battle with 3i. Shareholders who had attended the morning gathering in the main hall, now given over to a black tie dinner, were long gone. Into the garret filed the trust's heavily titled non-executives, directors from Electra Fleming, trust manager, and a board of advisers to hear the results of the crucial poll, counted and recounted over the previous seven hours.

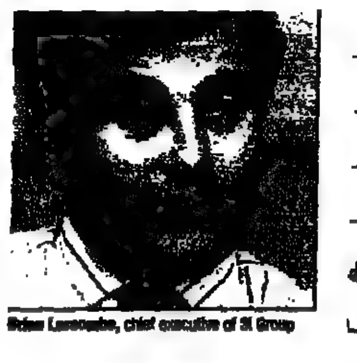
Shareholders had been canvassed on a resolution involving a buy-back of 40 per cent of the trust's shares and a sell-off of the assets within five years. Electra needed 75 per cent of votes cast to escape 3i's clutches. Most observers thought that 3i would win in the end, despite its cheekily low £1.3bn ($2.1bn) hostile cash band paper offer.

Michael Stoddart, the trust's 67-year-old chairman who had postponed his retirement to help conduct the fight, stood up. He looked exhausted. Only he and two advisers knew what was written on the slip of paper in his hand. He glanced down, apparently poised to announce defeat for the company he has defined since joining 26 years ago.

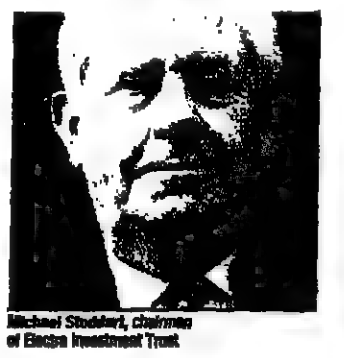
Rejecting the proffered microphone – tired or not, he has a stentorian voice – he announced that proxies numbering 101,355,809 had been received in favour of the resolution – 76.15 per cent of the vote. It took a split second to sink in. Then a spontaneous cheer went up, people punched the air, hugged – and left for a long night of celebration.

This most curious of bids had started with friendly overtures from 3i in January. According to 3i, Mr Stoddart had been close to agreeing a deal. But talks broke down, 3i says, because of remuneration issues at Electra Fleming. Electra came up with its eccentric defence – closing itself down – and 3i made its hostile move.

The way in which Electra, with advisers Lazards and Cazenove, then rolled into action to achieve the surprise victory is testament to the enduring force of old-fashioned City clout.

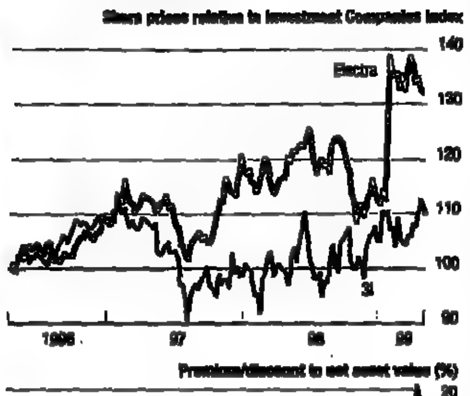


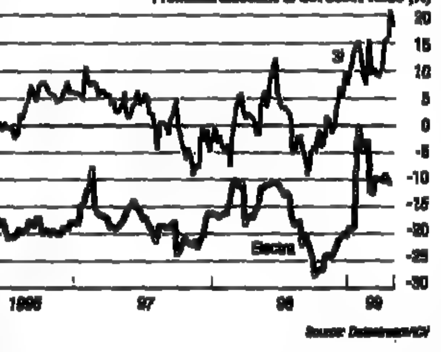
Brian Larcombe, chief executive of 3i Group



Michael Stoddart, chairman of Electra Investment Trust

Electra Investment Trust and 3i Group





Source: Datastream/ICV

The 75 per cent hurdle was itself cleared following the intervention of Swiss Re, which bought 1.55 per cent of the trust at 750p, 25p above the mid market price, on the eve of the vote. Mr Stoddart admitted the giant reinsurer had rung a few weeks previously asking if it could do anything to help.

But a large clutch of other powerful investors had also been won round. These included, it is understood, the Prudential, which owns nearly 8 per cent of Electra, but which, is also 3i's largest shareholder with an 11 per cent stake.

The intensely meritocratic 3i executives, advised by Greenhill and CSFB, focused on the detail of the competing financial cases. They were in for a shock.

On the other side, Jonathan Dawson and his team at Lazards undoubtedly crafted an imaginative, if high risk, strategy for the trust. The Electra defence document, dubbing 3i's offer "inadequate, insufficient, inferior", was a slick piece of marketing. But if asked what delivered the vote in the end, institutional shareholders all remark on the role of the excellently connected Cazenove team, led by Julian Cazalet.

One fund manager remarked: "They were on the phone all the time, twisting arms. They really played the loyalty card to the hilt." The line was as much about Mr Stoddart's past City standing as about future financial returns. "They said it's such a shame for this chap, he is about to retire, all that sort of thing. They made clear this was a very special case".

The advisers were also able to play to the inherent reluctance of UK institutions to vote against incumbent management. They also capitalised on the unusual sequence of the bid, whereby 3i would only win if the resolution was voted down. Analysts say at least some fund managers had reckoned they could do "the decent thing" and back Mr Stoddart, while still being able to vote for 3i after the resolution failed.

As the emotion that spilled over at Plaisterers Hall settles down, shareholders now have the satisfaction of seeing whether they made the right choice as they watch the relative performance of 3i shares and the Electra wind-up vehicle.

They will be hoping they have not given Mr Stoddart one of the more expensive retirement presents ever.

COMMENT

Virgin Atlantic

Richard Branson's track record with flotations is almost as bad as his ballooning. Most are pulled long before daylight is allowed to penetrate his companies' opaque finances. They serve mainly as negotiating chips with trade buyers. No surprise, then, that failure to tempt Continental with a 40 per cent chunk of Virgin Atlantic – the airline that accounts for virtually all of Virgin Travel Group's profits – sees Mr Branson once again mulling a flotation of VTG.

But talk of a £1.2bn valuation looks starry-eyed. Continental, which would benefit from synergies, baulked at paying £248m ($400m) for 40 per cent of the airline. That implies a value for the whole of just £620m. So why should the stock market value VTG at twice that amount?

Applying British Airway's 1998 price/earnings multiple of 13 and substracting a standard 25 per cent flotation discount confirms that investors should shy away from anything higher. On that basis, Virgin Travel Group's £71m profits in the year to April 1998 would make the group worth nearly £700m, far more than Continental was prepared to pay.

But perhaps that is because the US airline sensibly doubted whether VTG's effective tax rate of just 20 per cent last year was sustainable in a public company. Apply a normal 30 per cent tax rate to VTG's £89m pre-tax profits and the same calculation yields a value for VTG of about £610m. If that appears to be a fair price, investors will be interested to know what exactly dissuaded Continental from paying it.

Anglo-American

"Lord, make me good, but not yet" sums up Julian Ogilvie Thompson's approach to corporate governance. Anglo's longstanding chairman and chief executive can see the point of separating his roles, as UK best practice requires, but is not going to do so, at least for the next couple of years. Given Mr Ogilvie Thompson is 65, that presumably means not in his working lifetime.

Anglo is changing. But when it comes to shareholder value and corporate governance, it is still in short pants. The appointment of a strong non-executive board should help. But much will turn on younger managers escaping Anglo's old culture. Swapping suzerainty over the South African economy for a middling position in the FTSE100 is no small transition.

NEWS DIGEST

MEDIA

BSkyB aims to lift cable groups' Sky One charge

British Sky Broadcasting, the satellite broadcaster, is trying to increase the amount it charges the cable industry for its popular Sky One channel.

BSkyB believes the cable operators may be prepared to pay almost twice as much for Sky One, which is one of the most successful cable and satellite channels. Cable operators currently pay BSkyB about 49p a month per subscriber for Sky One. However, some are secretly admitting they know they are underpaying.

BSkyB could soften the blow by offering the cable companies a discount on some of the premium sport and film channels.

Elisabeth Murdoch, managing director of Sky Networks, said: "Everyone knows that the price of Sky One is too low, and we're always looking for ways for the cable industry to sell more premium units."

She also raised the possibility that BSkyB could rent out capacity on cable networks, and sell customers its channels directly, rather than by striking wholesale agreements with cable operators. However, the cable companies would be extremely reluctant to agree to hand control of their customers to BSkyB, and the regulators would be unlikely to intervene to force them to. **Cathy Newman**

RETAIL

Asda/Kingfisher could save £100m

Kingfisher and Asda, which last week revealed plans for a £19bn ($31bn) merger, are today expected to claim benefits of some £100m a year from combining two of Britain's best known retailers.

Analysts estimate the groups could pool some £4bn of their forecast £19bn turnover to achieve savings of £40m-£80m. At least a further £20m in benefits would arrive from cross-selling. About half of the £100m in savings are expected to be achieved in the first full year.

Asda and Kingfisher will also elaborate on plans to develop a comprehensive internet shopping service.

They will also discuss their plans for international expansion. Kingfisher is understood to be keen to add a food range to its development plans in Taiwan, where it has three B&Q stores. **Peggy Hollinger**

TRANSPORT

L&CR to reap bond windfall

London & Continental Railways, the operator of the Eurostar service and builder of the Channel tunnel rail link, is set to reap a £40m ($64m) windfall by reinvesting the proceeds of its February government-backed bond issue. However, the money could be clawed back by the Department of the Environment, Transport and the Regions through lower subsidies.

L&CR will today announce it has employed Investec Guinness Flight, Salomon Smith Barney and Schroders to run a bond and cash portfolio of £1.3bn, on which the yield should be close to 6 per cent.

L&CR's ambitious £1.65bn bond issue – the biggest sterling bond outside the gilt market – was timed almost perfectly, coming close the bond market high and requiring L&CR to pay a yield of only 4.55 per cent. The low yield was possible because the government guarantee on the bonds has led investors to treat them as a proxy for gilts.

Around £350m of the money raised was used to pay off existing debt. **James Mackintosh**

Sporting Index extends spread betting service

By Philip Coggan, Markets Editor

Sporting Index is today expanding its spread betting service into financial markets, adding to the competition in an increasingly popular area.

Like rivals City Index and IG Index, Sporting Index's new subsidiary, Financial Spreads, will offer spread bets on stock market indices, individual share prices, interest rates, government bonds and commodities.

However, it will give greater opportunities for the smaller investor, with bets on the Dow Jones Industrial Average and FTSE 100 index available for as little as £1 a point, with a maximum loss of £200. It will put prices on Teletext as well as Reuters and Bloomberg.

Financial Spreads also hopes to offer products which are "fun, fresh and different". An early example is a Manchester United spread bet which is based on a combination of the club's daily share price movements and its fortunes in this week's European Cup semi-final against Juventus.

Spread betting involves the gambler making a decision to buy or sell a given commodity, which could be anything from the price of orange juice futures to the number of players sent off in the World Cup.

The spread represents the costs and profit margin of the bookmaker.

For example, a bet on the FTSE 100 might have a spread of 6,500-6,510. If the index ends the period at 7,010, someone who bought at £10 a point would make £5,000; if the index fell to 6,010, however, they would lose the same amount.

Sporting Index was founded in 1992 after Compton Hellyer and Lindsay McNeile raised £1.25m from 50 friends. The company says it has nearly 60 per cent of the sporting spread betting index and made £1.4m last year. It has about 15,000 account holders who make 20,000 bets a week. The founders intend to look for a buyer, or a stock market float, in about five years.

Anglo American names directors ahead of listing

By Victor Mallet in Johannesburg

Anglo American, the South African conglomerate that is moving its domicile and primary stock exchange listing to London next month, has appointed Sir Alick Rankin, deputy chairman of CGU, the big UK insurance group, as the most senior of five new non-executive directors.

Sir Alick, a former chief executive and chairman of Scottish and Newcastle, the brewer, will also be a deputy chairman of Anglo American and will chair its remuneration committee.

The other new directors are Viscount Etienne Davignon, chairman of Société Générale de Belgique and a director of Minorco, the resources company that is being absorbed by Anglo as part of a restructuring; Christopher Fay, past chairman and chief executive of Shell UK; Robert Margetts, vice-chairman of ICI; and Peter Wilmot-Sitwell, another Minorco director and chairman of Mercury World Mining Trust.

Anglo American's prospectus is to be issued on Thursday, and the shares will be listed in London on May 24.

Anglo will qualify for inclusion in the FTSE 100 index, joining other big South African companies such as South African Breweries which have moved their headquarters to the UK. The company will, however, retain its cross-shareholding with De Beers, the diamond group, and the Oppenheimer family will retain stakes in both companies. Anglo American will have about 30 per cent of De Beers, De Beers about 40 per cent of Anglo American and the Oppenheimer family almost 10 per cent of Anglo American.

NEWS DIGEST

EXECUTIVE REMUNERATION

Former Ford chief gained $30m in stock options

Alex Trotman, who retired as chairman and chief executive of Ford Motor Company at the start of 1999, gained $30.1m by exercising stock options over 1.4m shares last year. The former head of the world's second largest car and truck maker also received $2.5m in salary; a bonus of $10m; and "other" annual compensation of $2.2m, mainly from cash dividend equivalents on stock rights awarded under a long-term incentive plan. By the end of 1998, he held options to purchase a further 1.06m ordinary shares.

Meanwhile, Jacques Nasser, who took over the chief executive's role in January having been president of automotive operations last year, earned $1.05m in salary, and $5m in bonus. Other compensation totalled $836,369, and he did not exercise any option during the 12-month period. **Nikki Tait, Chicago**

TELECOMMUNICATIONS

Global One talks continue

Deutsche Telekom, France Telecom and Sprint of the US are still in discussions over the 1999 budget for Global One, their joint venture designed to provide telecoms services to multinational customers. The discussions follow Sprint's decision last month to refuse to approve the budget, prompting suggestions the alliance was falling apart.

On Friday, Deutsche Telekom and Sprint said they were hopeful of a satisfactory outcome. In the past few weeks the parent companies have each given public support to the joint venture which has been producing bigger losses than anticipated.

If the parents should fail to approve a budget, a buy/sell provision in the venture agreement would be triggered where any of the partners could sell its stake to another or to a third party but only with the agreement of all three partners. **Alan Cane**

AGRIBUSINESS

Profits fall at Archer Daniels

After-tax profits slumped at Archer Daniels Midland, the US agribusiness group, to $11.7m in the three months to end-March, its third quarter. This compared with $70.3m in the same period of 1998. In earnings per share terms, the 2 cents made by the company during the quarter was well below analysts' estimates, which averaged about 18 cents, according to the First Call research firm.

ADM, notoriously terse in its public communications, did not explain the drop. But at the annual meeting two months ago, the company warned about the impact of falling demand for meat products in Asia, and the knock-on effect this was having on ADM's feed and livestock-related products. Low oil prices have also been blamed for reducing returns on ADM's ethanol business. **Nikki Tait**

MINING

S&B buys bentonite producer

Silver & Baryte, the Greek mining group, has increased its bentonite resources on the Aegean island of Milos by acquiring Mycobar, the island's second biggest producer. S&B, the largest European producer of bentonite and perlite, agreed to pay $30m for Mycobar, which is controlled by M-I LLC of the US. Analysts said the acquisition would increase group output of bentonite to about 800,000 tonnes yearly.

The Greek group also controls a bentonite mining operation in the former Soviet republic of Georgia. It has acquired perlite mines in Turkey, Italy and China under an ambitious scheme to diversify sources of supply for both minerals.

S&B pioneered extraction of high-quality bentonite on Milos and has become the island's largest producer. It said the acquisition of Mycobar would bring economies of scale at its facilities, where bentonite and perlite are processed.

The two companies extract bentonite from open-pit mines at adjacent sites on Milos. More than 90 per cent of output is exported, mostly to western Europe but also to the US and Asia. International demand for bentonite, used in a wide range of industries from oil-drilling to civil engineering, and perlite, which is used for insulation, remains steady, S&B said.

The group has expanded output of bentonite and perlite to offset shrinking international demand for bauxite, its other main product which is mined in central Greece. The addition of mining operations outside Greece has helped S&B improve profit margins, which were constrained by the strength of the Greek drachma. **Kerin Hope, Athens**

LEISURE INDUSTRY

Agnelli lifts stake in Club Med

Italy's Agnelli group has increased its stake in Club Méditerranée, the French holiday resort operator, to more than 20 per cent. Philippe Bourguignon, Club Med chairman, welcomed the move, saying that it "should help us prepare the future of Club Med beyond the current restructuring phase".

The 20 per cent threshold was crossed last week when Ifil, an investment company controlled by the Agnelli family, bought 3 per cent of Club Med shares. Exor, another arm of the Agnelli empire, already held 18.8 per cent. Exor and Ifil, acting in concert, now control 21.8 per cent of Club Med's capital and 20.3 per cent of voting rights. In a joint statement, they said they did not intend to raise their combined stake above the 33.3 per cent barrier, which would force them to launch a bid for the whole company. However, they did not rule out buying more shares, "depending on market opportunities". Club Med shares rose 1.1 per cent to €89 on Friday. **Samer Iskandar, Paris**

PAPERMAKING

MoDo in talks with SCA

MoDo, the Swedish papermaker, is in talks with rival SCA over a possible alliance in fine paper. Bert Pettersson, MoDo chief executive, said the group was exploring a deal with SCA as one alternative to expand its presence in fine paper, used mostly for office copying and printing paper. SCA is understood to be seeking a withdrawal from fine paper, which it regards as non-core to its main packaging and hygiene products divisions.

Industry analysts questioned the logic of an acquisition by MoDo, given that both companies are actively examining different ways to restructure their fine paper operations. It is thought that MoDo and SCA could be considering merging their fine paper operations before spinning off the enlarged business to shareholders or seeking a trade buyer.

Last year, SCA reported a profit in its fine paper, merchanting and pulp division of SKr517m ($62m) while sales reached SKr11.4bn. MoDo, by comparison, reported profits of SKr171m and sales of SKr7.16bn in its fine paper operations. Following Mr Pettersson's comments on Friday, MoDo's most commonly traded B shares rose SKr12 to SKr218, while SCA's B shares rose SKr15.50 to SKr207.50. **Tim Burt, Stockholm**

Endesa Chile bid war nears climax

Shareholders have until Thursday to choose, writes **Mark Mulligan**

Santiago residents may be forgiven for wondering how Chile has suddenly become the energy capital of Latin America.

For as Spain's Grupo Endesa and Duke Energy of the US slug it out in an increasingly acrimonious battle for control of Endesa Chile, one of the region's largest electricity generators, the Chilean capital's 4m inhabitants are coping with a nightly ritual of 1-2 hour blackouts.

The Spanish group has until tomorrow to respond to Duke's improved offer, announced late on Friday, of $2.8bn for 60 per cent of the generator.

The need for power rationing in Santiago, meanwhile, stems partly from Endesa Chile's heavy dependence on hydroelectric installations amid the country's worst drought on record, an imbalance that it has sought to redress with $200m of investment since last October in four new thermal units.

However, sector analysts say come rain or shine, the company will this year recover from 1998's poor results as it begins to reap the benefits of a new tariff structure, improved generating capacity in Chile and the consolidation of acquisitions in Brazil and Colombia.

On Friday Bruce Williamson, chief executive of Duke Energy International, promised further investment in new energy sources as he raised the stakes above Duke's previously tabled bid of $2.1bn for 51 per cent. On a simple per-share basis, the new deal is still 30 pesos short of the $1.5bn – or 305 pesos a share – bid for 29.7 per cent by the US group's Spanish opponent.

> 'Whoever ends up owning Enersis and Endesa Chile owns prime electricity assets in just about every market in Latin America'

But Duke has until Thursday, when shareholders have to accept one of the bids, to convince Endesa Chile's 48,000 investors that the shares left after Grupo Endesa's auction will be worth 25 per cent less than Friday's closing price of 242.6 pesos.

Grupo Endesa is committed to retaining the 25.3 per cent it holds in its Chilean namesake through Enersis, the electricity distributor of which it recently won control.

Duke calculates that after discounting this stake and the 14 per cent held by ADR investors in New York, it is offering every Chilean shareholder the chance to cash in now and avoid uncertainty about the company's future in foreign hands.

According to its maths, the Spanish group would have to counter-attack with a 374 peso a share offer to win the battle.

Analysts say the bitter war being waged in this once quiet corner of Latin America is more about regional opportunities than holding Chilean assets.

Sandra Boente, Latin American utilities analyst at Salomon Smith Barney in New York, says Enersis and Endesa Chile offer their owners an ideal platform for regional expansion.

"It is Chile, but it's really the assets that these two groups offer that makes them attractive," she says. "Whoever ends up owning Enersis and Endesa Chile owns prime electricity assets in just about every market in Latin America."

Duke, with an eye to this year's energy privatisations in Brazil and the development of natural gas pipelines from Argentina and Bolivia into most of the continent, says it will put every cent of Latin American investment through Chile.

Other foreign energy groups have identified further acquisition targets in Chile and Argentina, while in Central America, the Nicaraguan and Costa Rican governments are working toward privatising their electricity sectors.

"Chile as a country has a great opportunity to lead the way in South America," says Mr Williamson. "This is an opportunity to build a very strong energy business across South America, headquartered in Santiago."

Newbridge set on Korea deal

By John Burton in Seoul

Newbridge Capital, the US investment firm, said it was firmly committed to its takeover of Korea First Bank and had no intention of abandoning the deal, which is considered a crucial step in the restructuring of South Korea's troubled banking sector.

Richard Blum and David Bonderman, co-chairmen of Newbridge, flew to Seoul to resolve a dispute over the valuation of the bank's assets that has delayed completion of the sale. Newbridge signed a memorandum of understanding in December to buy the bank.

Korea's Financial Supervisory Commission, which is negotiating the sale of 51 per cent of Korea First to Newbridge, expressed hope that a deal might be concluded this week. If not, Seoul suggested it would seek mediation by Morgan Stanley, the US investment bank it hired to arrange the sale.

Newbridge is asking that the value of some questionable loans be reduced, which would force the government to provide more funds for recapitalisation after it injected Won1,500bn ($1.2bn) last year to save Korea First from collapse.

The government wants the questionable loans to be kept at full book – rather than the lower market – value. It says there is no need to write down the value of the loans since it has promised to buy loans that go sour over the next two years.

At issue is the valuation of nearly Won1,300bn in loans extended to companies under "workout" programmes. These loans are non-performing loans on which banks cannot foreclose after they agreed with the government to keep alive companies considered likely to overcome short-term cashflow problems resulting from Korea's recession.

The tough negotiations reflect the fact that terms of the Korea First deal are likely to set a precedent for the government's negotiations with HSBC on its takeover of SeoulBank, another nationalised bank.

The International Monetary Fund ordered the sale of the two big but weak banks to foreign investors as part its $58bn rescue package for Korea in late 1997.

Hoechst 'backs Clariant plans'

By William Hall in Basle

Clariant, the Swiss speciality chemicals company, stressed on Friday that Hoechst, its biggest shareholder, fully supported its ambitious expansion strategy and had never tried to block its acquisition plans.

Rolf Schweizer, Clariant's chairman, said Hoechst, which owns 45 per cent of Clariant, "had never objected to any financial or operational project" proposed by Clariant.

His remarks, at Clariant's annual results press conference, follow reports this week that Clariant had been forced to abandon a planned £2bn ($3.2bn) bid for Laporte, the UK chemicals company, because it had failed to secure Hoechst's approval.

Mr Schweizer refused to deny whether Clariant had been in talks with Laporte. "Our principle is never to comment on rumours whether they are true or not," he said. But he stressed that Clariant had an "excellent and very constructive" relationship with Hoechst, which has three representatives on Clariant's board.

However, Clariant's reputation as one of the world's most successful speciality chemicals companies has been hit by the industry downturn, concerns about management succession, and its inability to address its strategic weaknesses by consummating a big deal. Last year, an agreed merger with Ciba Speciality Chemicals, its biggest rival, was called off at the last moment.

Mr Schweizer is close to retirement, and Clariant announced on Friday that Karl-Gerhard Seifert, 52, a former Hoechst executive who took over as Clariant's chief executive following the merger, will step down by the end of the month. He will be replaced by Reinhard Handte, 53, another ex-Hoechst executive.

Clariant, which had already reported a 6 per cent drop in sales, to SFr9.3bn ($6.21bn), announced that 1998 operating profit rose 7 per cent, to SFr1.06bn.

Cost-cutting, product portfolio rationalisation and scaling back of trading resulted in operating margins increasing from 11.4 per cent to 12.6 per cent. Net income rose 23 per cent to SFr519m, and the dividend rises from SFr7 to SFr9 a share.

CBOT rift hangs over board meeting

By Nikki Tait in Chicago

Directors of the Chicago Board of Trade, the biggest US futures market, will meet today amid signs of a potentially debilitating rift between David Brennan, the organisation's newly-appointed chairman, and Tom Donovan, its long-standing president and chief executive, and most senior staff member.

CBOT officials declined to discuss the meeting's agenda. But for days the exchange has been awash with talk that Mr Brennan had sought Mr Donovan's resignation without full board approval. Many traders think a vote of confidence in Mr Donovan could be on the agenda. A highly unusual censure of the chairman is also possible.

The fracas is the latest indication of the difficulty the exchange is having adjusting to a more competitive environment, in which lower-cost screen-based trading systems threaten to erode the CBOT's position.

It also reflects the organisation's cumbersome governance structure. The chairman is elected directly by

At odds: David Brennan

the trading membership. A similar situation goes for the bulk of board members, although they are not necessarily part of the same slate as the chairman.

The president, meanwhile, is appointed by the board – but in Mr Donovan's case, is working under a contract which expires in 2002.

So, when Mr Brennan was elected on a very different platform from his predecessor, he immediately found himself at odds with some board members on key issues – such as the now-abandoned link with Europe's Eurex exchange.

Mr Donovan, who has built up a large staff organisation over his 18-year tenure, had been instrumental in developing some of the strategies Mr Brennan wanted to rethink.

Although the exchange has not commented on the nature of the two men's disagreement, traders say that Mr Brennan has been looking at ways to make the organisation more efficient; questioning its voting structure; and trying to map out its future from a technology standpoint. "David's asking the right questions – if this were a business, it would be quite a lot leaner," says one acknowledged supporter.

Other traders, however, point to Mr Donovan's political skills – he was a former patronage chief for two Chicago mayors – and say that he has valuable experience to offer.

And many remember the damage done by similar divisions at the rival Chicago Mercantile Exchange when two former chairman – Leo Melamed and Jack Sandner – were at odds. "This could be like Jack and Leo, only worse," groaned one.

Soporcel offering to raise over $71m

By Peter Wise in Lisbon

A global offering of 13.75 per cent of Soporcel, one of Europe's biggest pulp and paper groups, has attracted strong demand and will raise more than Es13.3bn (€66.3m, $71m) when the sale is concluded on the Lisbon stock market today.

Brokers said the retail offer of 4m shares was more than seven times subscribed and that there was substantial demand for an institutional offering of a further 4.84m shares.

The offer is to be priced within a range of Es1,504 to Es2,105 a share, valuing the stake being sold at Es13.3bn to Es18.6bn. The shares closed at Es1,924 on Friday.

Schroders and two Portuguese investment banks, Banco Cisf and BES Investimento, are global co-ordinators.

Arjo Wiggins Appleton, the Anglo-French paper group, and the Portuguese state are selling about 3 per cent and 10 per cent respectively to reduce their stakes to 40 per cent each. The aim is partly to increase the liquidity of Soporcel's shares.

The offer comes as Soporcel is investing Es67bn in a second paper machine that will more than double the group's paper-making capacity to 730,000 tons a year.

Luis Deslandes, chief executive, said the investment should lift Soporcel's share of the European business paper market from 7 per cent to 14 per cent.

By 2003, Soporcel aims to become Europe's fourth biggest producer of office paper, up from the current seventh, and to advance from third to second biggest European producer of offset paper, Mr Deslandes said.

Half of the investment is being financed from cash flow. The remainder is being funded by a loan from the European Investment Bank. The payback period for the investment is estimated at seven years, said Mr Deslandes.

NEWS DIGEST

PRIVATISATION

Korea Telecom to sell 13% to foreign investors

South Korea's state-run Korea Telecom will sell 13 per cent of its equity to foreign investors in May through an issue of depositary receipts in New York and London. It will be the first tranche of Korea Telecom stock to be sold to foreigners as part of Korea's privatisation programme.

Parliament last week agreed to raise the allowable foreign ownership level in telecoms operators to 49 per cent but the government will limit foreign shareholding in Korea Telecom to 33 per cent because of its strategic importance as the nation's leading telecommunications group. The government is planning to sell another 15 per cent to a foreign telecoms company interested in establishing a strategic alliance with Korea Telecom.

The DRs will include a portion of the 71.2 per cent in existing shares owned by the state plus new shares. The group's shares closed at Won46,800 on the Seoul bourse on Friday. The government hopes to raise nearly $1.7bn from the DR issue, which will be priced after consultations with lead manager Morgan Stanley, the US investment bank. **John Burton, Seoul**

INSURANCE

Broker promotes ex-UBS chief

Mathis Cabiallavetta, 54, former chairman of UBS, Switzerland's biggest bank, has been appointed vice-chairman of Marsh & McLennan, the world's largest insurance broker. He will maintain offices in New York and Zurich and will "work to advance the strategic development" of the group's global activities.

Mr Cabiallavetta's appointment comes just over six months after he was forced to step down from UBS following heavy losses on a hedge fund investment and equity derivatives. The losses were blamed on shortcomings in UBS's risk management process during a period when Mr Cabiallavetta had been chief executive.

Mr Cabiallavetta, who took over as chairman of UBS following its June 1998 merger with Swiss Bank Corporation, was the most senior of four UBS executives who left last October. He has served on Marsh & McLennan's international advisory board for six years. **William Hall, Zurich**

BASE METALS

Copper hits Falconbridge

Falconbridge, the Canadian base metals producer, has reported a first-quarter loss due to weak copper prices and production problems at some facilities. The company, one of the world's largest copper producers, made a loss of C$8.3m (US$5.6m), or 6 cents a share, against earnings of C$2.2m, or 1 cent. The results were better than expected given low prices and the company's production difficulties.

But Falconbridge was able to increase output at two of its production facilities and maintain quarterly revenues at C$437.8m, enabling it to offset the effects of lower metal prices. Its realised prices for nickel and copper fell about 20 per cent, while cobalt prices were down 46 per cent. Officials said the company would break even if nickel averaged US$2 per pound and copper rose to US$0.75 per pound in the months ahead. **Scott Morrison, Toronto**

Mining shares move back in favour

By Gillian O'Connor
Mining Correspondent

"Until last week I was having to telephone the US from London to drum up business. Last week I was sitting back fielding calls from UK investors, hedge funds and even a radio station wanting information on mining shares."

Russell Skirrow of Merrill Lynch sums up the shock felt by mining analysts when their unloved sector suddenly surged into favour in just five days.

Mining share mania swept across world stock markets last week. It started in the US, where money moving out of pricey technology stocks into cheaper cyclicals pushed the S&P 500 metals and mining index up 20 per cent in the first four days of the week, while the S&P 500 composite lost 2 per cent.

Mining indices in other centres rose by between 13 per cent (Toronto) and 7 per cent (South Africa). But, whereas North American shares had been generally sluggish until very recently, South African mining shares had started rising earlier in the year, and the main mining index is now over 50 per cent above its level at the start of 1999. The HSBC Global Mining index, the broadest international yardstick, has risen nearly 23 per cent since the start of the year and nearly 10 per cent in the past week.

Many individual shares showed equally notable movements. Those in US aluminium miner Alcoa rose 22 per cent on the week, which left them 44 per cent up since the start of the year.

UK-listed Rio Tinto and Billiton rose by 12 per cent and 27 per cent on the week respectively, and are 46 per cent and 70 per cent up on the year. And in South Africa, Anglo American Corporation closed on Friday 80 per cent up on the year.

One reason for the sharp price rises is that the mining sector has been shrinking for years and many shares are comparatively illiquid. So the injection of even a modest amount of money has a significant impact.

What's more, many funds had been deliberately underweight in mining shares, so they had to scramble to get their weightings up when prices started to move.

Mining shares have been generally depressed because metal prices themselves were depressed by the production surpluses that followed the 1997 Asian economic collapse. And analysts worry that the sudden rush of money into all cyclical stocks is based on a broad macroeconomic analysis, and ignores the fact that the fundamentals for mining shares remain poor.

Most metal prices, the key driver for mining companies, have been in serious long-term decline, exacerbated by the Asian economic collapse in 1997.

Also, although the start of a cyclical recovery in prices is expected later this year, it is unlikely to be large enough to justify the existing rise in mining share prices.

Peter Richardson of Warburg Dillon Read, for example, argues that although metals are a long way through the bottoming out process, there is as yet no confirmation that the declining trend has been decisively reversed.

Meanwhile, the Economist Intelligence Unit forecasts a metals price recovery of 12 per cent in 2000, which would simply restore them to their 1986 levels.

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CORPORATE BONDS SWITCH SEEN FROM GOVERNMENT SECTOR

Record wave of debt issues in Australia

By Gwen Robinson in Sydney

A wave of new issues in Australia's corporate bond market has highlighted growing diversity and range in the domestic debt market and near-record growth levels. There was a record issue volume of A$3.6bn ($1.4bn) in March in Australia's corporate bond market, bringing issuance in the first quarter to A$5.2bn.

While analysts do not think the level of activity in April will match last month's, corporate borrowers announced or priced nearly A$1bn of issues in a single day last week.

The surge has been partly driven by the steady reduction of government debt supply at both federal and state level, and strong growth in superannuation funds under the government's compulsory employer contribution programme. Australian debt markets have also benefited from Asia's downturn.

While bankers welcomed the shift by investors from the government to the non-government market, the winding back of domestic sovereign debt and signs of Asian recovery have raised concern about future activity. Many fear the steady retirement of public sector debt could ultimately dry up liquidity in the public sector market and weigh on the non-government market.

Banks and corporate issuers depend on benchmark sovereign yield curves to price their own issues. The government has said it intends to maintain its debt portfolio, regardless of planned privatisations and budget surpluses. But bankers want more concrete details and commitments.

The value of federal bonds outstanding at the end of last year fell to A$80bn – down A$15bn in less than two years. The value of state government bonds also tumbled in the same period by A$10bn to A$40bn, largely due to the $29bn privatisation programme in Victoria.

The main drivers of recent growth in the corporate bond market include an influx of foreign issuers into the "kangaroo" market, including Inter-American Development Bank and Rabobank, of the Netherlands, with $5bn domestic programmes. Rabobank last week launched its programme with a A$350m medium-term note issue.

Another driver of growth is the July expiry of the government guarantee that has backed Commonwealth Bank of Australia since it was privatised in 1991. Bankers said the residual government guarantee of CBA's bonds, amounting to about A$3.4bn of transferable certificates of deposit, has distorted the pricing for AAA non-government credits.

Analysts said recent aggressive pricing by large foreign issuers suggested investors were already factoring in the expiry of the debt guarantee.

Another trend was highlighted by Friday's move into the domestic MTN market by John Fairfax Holdings, the newspaper publishing group. Fairfax became Australia's first media company in the MTN market with its inaugural issue under a A$500m debt facility arranged two years ago.

The issue, a three-year fixed-rate transaction, added to the company's A$200m commercial paper issue offered in December and is rated BBB+ by Standard & Poor's.

Fairfax is one of few BBB issues in the Australian market. The move followed a A$225m issue last month by Colonial State Bank, also BBB rated. Colonial's bonds were well received, demonstrating what one analyst said was a "clear willingness to move down the credit curve chasing higher yield".

Fairfax's timing reinforced the growing appetite among investors for non-government debt, and particularly for straight corporate issues in a market dominated by large financial institutions.

Tim Smith, Fairfax group treasury manager, described the programme as a "landmark transaction" and David Willis, Westpac's institutional banking head, said it was generated from strong investor demand for issuance from "true corporate" domestic names.

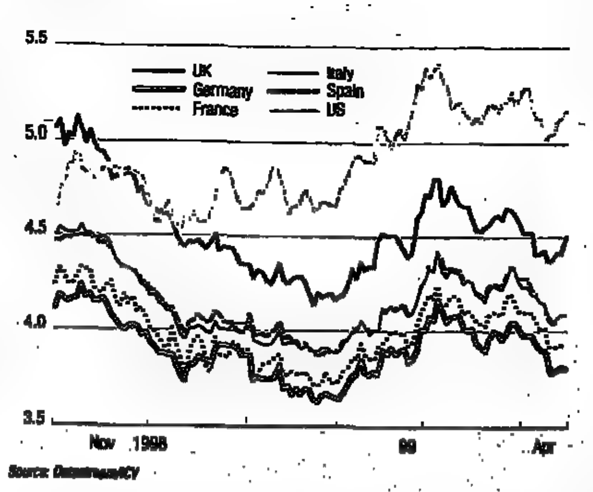
"Someone has to put their toe in the water in BBB land, and there are probably a few others having a look at it," Mr Smith said.

No decision had been made on whether Fairfax would offer the final A$175m of its facility. The current offer would most likely be priced next Wednesday, possibly earlier.

Another noteworthy issue was Toyota Finance Australia's A$1bn MTN programme, completed last week. Commonwealth Bank of Australia, arranger and manager of the programme, said it was a good example of the switch in emphasis to the corporate bond market.

Wayne Hoyt, CBA's manager of financial markets, said Toyota's leading position in the Australian car market and its AAA/Aa1 rating would assist in distributing the paper to a wide range of investors.

10-year benchmark bonds
Per cent



Source: Datastream/ICV

CROSS-BORDER M&A DEALS

BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
Huntsman (US)	Units of ICI (UK)	Chemicals	$2.7bn	Disposal accord
Ford (US)	Kwik-Fit (UK)	Auto services	$1.61bn	Agreed cash deal
Endesa (Spain)	Endesa Chile (Chile)	Power	$1.5bn	Tops Duke bid
BG (UK)/Shell(UK/N'land)	Comgás (Brazil)	Gas	$970m	Winning group
Albermarle (US)	Albright & Wilson (UK)	Chemicals	$665m	Agreed cash offer
Voith (Germany)	Unit of Scapa (UK)	Paper & pckgng	$630m	Scapa refocus
UBS (Switz)	Valfond (France)	Auto components	$451m	Phildrew advance
Ericsson (Sweden)	Torrent Networking (US)	Computer srvcs	$450m	Internet initiative
Global TeleSystems (US)	Omnicom (France)	Telecoms	$210m	Seeking control
Unocal (US)	Northrock Resources (Canada)	Oil & gas	$177m	48% stake

Piltel closer to bail-out

By Tony Tassell in Manila

Philippine Long Distance (PLDT), the country's dominant telecommunications carrier, appears to be edging closer to a deal to bail out its stricken cellular subsidiary.

Creditor banks to Pilipino Telephone have outlined the broad terms under which they would be prepared to accept a restructuring of the 34.9bn pesos ($914m) debt burden of the cellular operator.

The long-troubled company, which controls about 20 per cent of the Philippine cellular market, desperately needs a restructuring to stay afloat after reporting a 4.2bn pesos loss in 1998. It suspended repayments of its debt in January.

The extent of Piltel's problems surprised First Pacific, the Hong Kong-based conglomerate, after it acquired a controlling stake in PLDT in November for $749m.

Although PLDT has no cross-guarantees for Piltel's debt, the telecoms carrier has been coming under increasing pressure to support its subsidiary in order to maintain relationships with its own banks.

Piltel's debt is split roughly three ways between bank loans, convertible bonds and a debt to Marubeni, the Japanese conglomerate.

Rafael Buenaventura, president of PCI Bank and head of a committee of local creditor banks, said on Friday that the banks would be willing to extend the maturity of about half of the 10bn pesos owed them in loans and convert the rest into convertible bonds of PLDT.

LUXURY GOODS TAKEOVER FIGHT CONTINUES IN AMSTERDAM COURT

Battle for Gucci moves on

By Alice Rawsthorn

The next cliffhanger in the battle between LVMH, the French luxury goods group, and Gucci, the Italian fashion company for which it has mounted an $8.7bn offer, will come on Thursday at a critical court case in Amsterdam.

Senior executives of both companies will be present at the Amsterdam Court of Appeal for Thursday's first day of the final hearing of LVMH's attempt to nullify two recent share issues with which Gucci has sought to block its influence.

The first was the issue of 20m new shares to Gucci's employees, and the second was its sale of a 40 per cent to Pinault-Printemps-Redoute (PPR), the French retail group, for $2.9bn.

The Dutch court has already delivered preliminary rulings in both cases, and the outcome of the final hearing will determine the next twist in the fight for Gucci, which has become one of the most aggressive corporate clashes of recent years.

If the court rules in LVMH's favour, it will initiate an investigation into Gucci's handling of both transactions, which could last up to six months.

LVMH hopes that such an investigation would eventually rescind the PPR issue, which has diluted its own 34.4 per cent holding in Gucci (purchased for $1.4bn) to 19.6 per cent. PPR would then have to withdraw from Gucci, or mount a full bid, thereby enabling LVMH to exit at a profit.

However, if the Dutch court rules against LVMH, Gucci will be free to press ahead with plans to form a rival luxury goods conglomerate by buying the cosmetics arm of Sanofi, the French cosmetics group.

François Pinault, the powerful industrialist who founded PPR, acquired that business, including Yves Saint Laurent, the legendary French fashion house, for FFr6bn (€915m, $979m) on the same day last month that he unveiled the secretly negotiated Gucci deal.

As the conflict has heightened, both LVMH and the Gucci-PPR faction have tried to woo Gucci's shareholders, most of which are US-based institutional investors.

Earlier in the battle, several large institutions voiced support for the Gucci board, partly out of gratitude for its drawing a full bid from LVMH.

However, LVMH has received letters from a number of small shareholders concerned that PPR's holding could inhibit a full bid for Gucci.

For example, Oakmark, a US fund with 1 per cent of Gucci, has written to LVMH, PPR and Gucci to suggest that the latter be sold in an open auction.

Small caps hamper Toronto

By Edward Alden in Toronto

With Wall Street hitting record terrain almost daily, one of the questions north of the border has been why Canadian shares have failed miserably to keep pace.

At the beginning of 1995, both the Dow Jones Industrial Average and the Toronto Stock Exchange's 300 composite index stood at roughly 4,000. Today, the TSE 300 remains near 7,000 while the Dow has rocketed over 10,000.

The divergence between the two has been particularly striking over the past year. Toronto is mired 800 points below its high of April 1998 while the Dow is almost 1,500 points higher.

Many have blamed the lag on a weak Canadian economy or on the TSE's heavy weighting of underperforming natural resource stocks.

But Jeff Rubin, chief economist at CIBC Wood Gundy, the Canadian brokerage, says both explanations are wrong. In an analysis released last week, he argues that the TSE has suffered mostly because Canadian companies are small.

In a comparison of stock markets in both countries since 1995, Mr Rubin concludes that compositional differences account for only a fraction of the gap in performance. While the TSE is relatively overweighted in commodity stocks and underweighted in high-technology stocks, those differences explain just one quarter of the divergence.

Economic performance is even less persuasive as an explanation. Canada suffered a much deeper recession than the US in the early 1990s, but its economy began strengthening more than two years ago.

The problem, says Mr Rubin, is simply one of size. Since the onset of the Asian crisis and last summer's Russian default, investors have fled from small-cap stocks, seeing them as more of a credit risk than their large-cap counterparts.

By US standards, the Toronto Stock Exchange's benchmark 300 index, while it has a few giants such as Nortel Networks, Thomson and Seagram, is essentially an index of small-cap stocks. The average company in the US Standard & Poor's 500 index has a market capitalisation of US$20bn. The average company on the TSE 300 index has a market cap of just US$1.6bn.

That figure is much closer to the Russell 2000, the US index of small-cap stocks, whose companies have an average market value of US$600m. The TSE 300's performance is almost identical to the Russell 2000, with both down some 15 per cent from their highs.

He says that investors who hope a recovery in resource prices will turn the Canadian stock market around are looking in the wrong place. While the boost in forest and mineral stocks helped the TSE last week, the market will not recover, he argues, until investors no longer see a credit risk in smaller companies.

Brazil plans international bond issue

By John Barham in São Paolo

President Fernando Henrique Cardoso of Brazil says the country could soon issue up to $5bn in international bonds due to a faster than expected recovery from January's 39 per cent devaluation of the Real.

Mr Cardoso said in Bonn during an official visit to Germany: "If conditions continue advancing in the right direction, the issue could possibly take place in the first half."

The government is in the final stages of planning its first foreign bond issue in a year and is expected to raise $1bn-$1.5bn this month. Mr Cardoso said the fact that the country was now seriously considering raising more money "is a positive indicator" as it reflected growing international confidence in the economy.

The Real has recovered substantially, climbing 26 per cent from its lowest point against the dollar in early March. The central bank has recently intervened to prevent the currency rising too fast against the dollar and has cut domestic interest rates.

Economists are forecasting a recession of about 2 to 2.5 per cent, with the economy recovering in the second quarter, instead of a 4-5 per cent contraction in GDP.

International capital markets have been anxiously awaiting a Brazilian sovereign issue for many weeks.

Other Latin American governments, notably Argentina, have successfully tapped the markets for bond issues since the Real crisis.

Even Brazilian private sector borrowers, led by big banks, blue-chip companies and local operations of international banks, have successfully launched paper on international markets without waiting for a benchmark sovereign issue.

These loans are expensive, short-term operations, but maturities and pricing are improving. A sovereign issue would improve access to international markets for other private sector borrowers by providing a reference point for lenders.

Brazilian private sector borrowers must pay $13.81bn in medium-term and long-term debt principal and interest this year, with two-thirds due in the first half.

BSCH shares begin trading

By David White in Madrid

Banco Santander and Banco Central Hispanoamericano are set to consummate Spain's biggest merger, with the launch of the new BSCH group's shares on the Madrid stock market today.

The merger, announced in mid-January, is being effected through the absorption of BCH, previously Spain's third ranking bank, by the larger Santander. The exchange of BCH shares is on a 3-for-5 basis.

The deal will create Spain's biggest banking group by assets and by market value, with a leading position among international banks operating in Latin America.

BSCH will hold a share of about 10 per cent of Spain's total banking market, including savings banks.

The partners' combined market capitalisation has risen from €27.3bn at the time of the merger announcement to €39.1bn ($41.9bn) at Friday's Madrid market close.

First-quarter results, due a week later, are expected to be in line with the 25 per cent annual profit increase which BSCH has set as its target for the next two years.

The merger received approval from the Spanish economy and finance ministry last Monday, although Spain's competition tribunal has yet to pronounce on it.

BSCH has raised its estimate of the savings generated by the merger by 5 per cent to Pta105bn (€631m, $676m) over three years. Half of these savings are expected to come from optimising branch networks, with the remainder mainly from the integration of central services and systems.

Questions remain about overlapping interests in Latin America.

Negotiations to break up BCH's existing joint venture with the Chilean Luksic group – covering a 43.5 per cent stake in Banco Santiago and banks in Peru, Argentina and Paraguay – concluded with the Spanish bank agreeing to buy its partner's share for $600m.

But the stakes will be subject to a "strategic re-examination" in the medium term, bank officials said.

Lycos in web editing change

By Roger Taylor in San Francisco

Lycos, the internet search site and portal, is to abandon its own internet directory and instead adopt a new and experimental service from rival Netscape, in which the public do the work of creating the directory.

The move is a validation of Netscape's "open source directory" – a guide to web pages that is edited and updated by public volunteers.

The success of the open source directory, which now has almost 9,000 people working on it free of charge, calls into question the economics of paying large numbers of editors to do similar work.

Leading internet portals – such as Yahoo!, Excite and Lycos – are the most popular because of their search and directory services which help users find information.

The portals employ large staffs to surf the web, find useful sites and list them under different categories. However with close to 400m web pages on the internet and more added every second, keeping tabs on what is available is becoming increasingly difficult.

The information is free to anyone who wants to use it. Lycos does not have to pay Netscape to use the directory. It can repackage the information on its own site but must credit the open source directory.

The advantage for portals of getting enthusiasts to create a web directory is that a far greater range of expertise can be tapped than any one company could muster. The potential disadvantage is a lack of balance, which could be exacerbated by organisations trying to manipulate the directory to their advantage.

Netscape says the system has worked well so far through a combination of self-policing – editors in each section can review each others' additions and delete sites they do not like – and through Netscape's overall authority to resolve disputes, remove sites, or recategorise entries if necessary.

The company is already planning how open source editing could be expanded to other areas such as restaurant reviews and city guides.

The directory – at http://directory.netscape.com – is expected also to become the lead directory on Netscape's own Netcenter portal, which currently uses material from rival Excite, and possibly also, on America Online's AOL.com portal.

This will make it the most used directory on the web.

EMERGING MARKETS SHARES AND BONDS HAVE RECOVERED AND CAPITAL IS FLOWING BACK TO THE REGION

Latin America rewards the brave

By Richard Lapper, Latin American Editor

Fund managers who sold Latin American shares and bonds when fears of a financial melt-down in the region were at their height must be regretting their decision.

The bounce-back in share and bond prices since mid-January has amply rewarded the courage of investors that held their nerve. Brazilian share prices are now more than 80 per cent higher – in dollar terms – than they were when the government devalued the Real.

Many other markets are recovering strongly – the much-feared financial contagion has simply failed to occur and capital is slowly flowing back to the region.

The change in sentiment has been "stunning", says Caspar Romer, a fund manager at Foreign & Colonial Emerging Markets in London. "It is almost unrecognisable from what we saw six weeks ago."

By April 14 the Brazilian and Chilean stock markets had both gained 20 per cent in the year to date, while Mexico – which has benefited strongly from the better than expected economic growth in the US – was up 39.1 per cent.

Supporting that performance has been a spectacular contraction in bond yields. According to J.P. Morgan's emerging market bond index (which has a heavy weighting of Latin American assets) the average yield spread of emerging market bonds over US Treasuries had fallen from 1,522 basis points in mid-January to less than 900 basis points by last week.

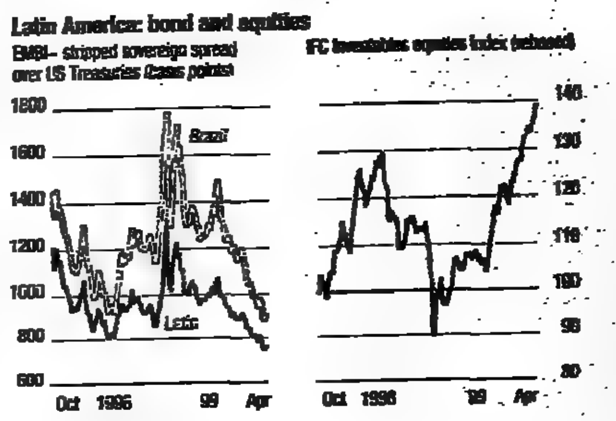
All this has made it possible for governments and companies to raise fresh capital in the bond and share markets. Far from being closed to Latin America, international capital markets are seeing a surge of activity.

Latin borrowers raised $13.6bn in the first third of the year, putting the region well on track to equal last year's total of $38bn. Indeed, if the rate of issuance seen in March and April continues, this year's total could even exceed the record $56bn seen in 1997.

Last week's successful completion of Brazil's first privatisation since the crisis – the sale of São Paulo state's Comgas for R$1.6bn (US$959m), a premium of more than 100 per cent to the minimum price, augurs well for the prospects of the primary equity markets.

Two main factors explain this turnround. First, successive cuts in US interest rates have helped increase global liquidity, contributing to the continued strength of the mainstream stock and bond markets.

US and European fund managers are again looking for higher yields and returns than those available at home. Retail investors are still shy of emerging markets but the scale of mutual fund redemptions is now much lower and some institutions have been tempted back in.



Sources: JP Morgan; Datastream/ICV

Mr Romer says that capital has begun to flow back to the region. "There has been a change in direction. What had been a continuous haemorrhaging over the past 18 months has – in the past six weeks – turned into a positive flow."

Second, Brazil has been able to win back international confidence quicker than anyone dared hope in January. President Fernando Henrique Cardoso has pressed ahead with fiscal adjustment, and will deliver operating – or primary – surpluses in the first quarter even higher than those demanded by the International Monetary Fund.

The impact on inflation of the devaluation has been less than expected. São Paulo retail prices increased at only 0.38 per cent in the month to April 8 and could fall below 10 per cent for the year as a whole.

Arminio Fraga, the central bank president appointed at the height of the crisis, has impressed investors and with capital beginning to flow back and the Real strengthening against the dollar, Mr Fraga has been able to reduce interest rates three times, reducing the cost of financing internal debt and raising the prospect that Brazil's recession will be shallower and shorter than appeared likely two months ago.

A third factor is now influencing this positive scenario. The depression in world commodity markets has been particularly damaging to Latin America, especially to countries such as Chile and Peru, which remain heavily dependent on copper or other minerals, or Venezuela, whose fortunes are closely tied to oil.

However, some investors believe that following the recent rise in the oil prices, other commodity markets may have bottomed out.

Even though evidence so far is patchy at best – stocks of commodities such as copper, pulp and paper remain high for example – the perception of a shift in the commodity cycle is attracting more money into Latin American shares. Cyclical stocks, such as Brazilian pulp and paper and iron ore companies, for example, have been among the beneficiaries.

Just as they provided most of this year's forward momentum, so developments in Brazil are the biggest worry going forward.

Brazil's internal debt is still worryingly high. Much of the progress on the fiscal front to date has been due to either short-term or temporary measures. As President Cardoso begins to tackle necessary long-term reforms of the tax, pensions and social security system, hiccups are possible.

"The situation is still fragile and this may still turn out to be a false dawn," says Peter West, chief economist for Latin America at Banco Bilbao Vizcaya of Spain. But he adds that on balance "it looks as though a major turning point has been reached or is near".

Japan prefers business to be domestic affair

Fight for IDC shows foreign investment is still unwelcome, writes Michiyo Nakamoto

Last week's decision by IDC's board to recommend a takeover bid from NTT, instead of an offer from Cable and Wireless, would hardly have come as a surprise to anyone familiar with Japanese corporate culture, which favours continuity and stability.

By recommending NTT, Japan's largest and most powerful telecommunications group, IDC directors were simply following their natural inclination to place the company's future in the hands of the suitor they were more familiar with and therefore believed they could better trust.

It may also have helped that NTT has offered a higher price for IDC than the UK group, which already has a 17.7 per cent stake in its target.

But, while C&W has offered cash in a deal valuing IDC at about Y62.4bn ($528m), NTT is believed to have offered only slightly more in terms of price in a complicated deal that relies on future changes to Japan's commercial code. Besides, C&W has indicated that it is prepared to raise its offer in order to gain control of IDC.

It is more likely that IDC directors could not bring themselves to choose a company with a western corporate culture – a move that could have subjected them to criticism that they were unnecessarily exposing IDC employees to significant future risk.

"For Japanese companies it is the future of the employees that is most important," points out Kotaro Inoue, consultant at KPMG Corporate Finance.

By offering to find jobs for all IDC employees within the NTT group, the Japanese company was able to appeal to the directors' sense of duty to the employees.

Even Toyota, a company with global reach and one of IDC's founding shareholders, had made it clear that the interests of the employees would be the most important determining factor in its decision.

C&W had emphasised that it wanted to expand in Japan – thereby offering better job prospects for IDC employees than could NTT, which needs to trim its payroll.

However, Japanese suspicion of western employment practices was summarised in the comment of one IDC director that the C&W offer was "too risky" because "C&W itself could be acquired" by a less employee-friendly company.

The decision does little to counter the view that foreign investment is unwelcome even by troubled companies, unless there is no Japanese alternative

Furthermore, for IDC directors and employees alike, NTT is likely to have been the preferred choice not only because it is a Japanese company with the same unspoken rules and business practices as IDC itself, but also because it is one of Japan's most highly-regarded companies.

In spite of C&W's many years as a large shareholder in IDC, in terms of name recognition and familiarity it can hardly compete with NTT.

Many IDC employees actually came from NTT itself when the company was first established.

Most industry analysts and possibly IDC staff themselves, believed it was a given that NTT would acquire IDC, particularly after the two began a business alliance last year.

However, the decision in favour of NTT has triggered criticism that Japan's telecoms market remains closed to outsiders.

Clearly, it does little to counter the view that foreign investment is unwelcome even by troubled companies, unless there is no Japanese alternative.

In the best-known recent case of unwanted foreign investment, Rupert Murdoch's News Corporation joined hands with Softbank and quietly acquired a 21.4 stake in TV Asahi.

The move triggered an apoplectic reaction from the Asahi media group and the two outsiders were forced to sell the stake back to the group after just three months.

The real test of fair play will come if C&W decides to come up with a bid that matches or betters the NTT offer.

The founding shareholders of IDC, including C&W, Itochu and Toyota, signed an agreement giving them the right to match any offer to acquire the company made by a non-founding member.

NTT may have won a crucial round in the heated battle for control of IDC. But the showdown has yet to come.

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Friday, April 16, 1999. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

		£ STG	US $	EURO €	YEN (X 100)
Afghanistan	(Afghani)	7580.97	4702.82	5034.38	3981.73
Albania	(Lek)	230.580	142.850	152.920	120.952
Algeria	(Dinar)	105.077	65.0350	69.6972	55.1162
Andorra	(French Fr)	9.8867	6.1273	6.5596	5.1880
Gibraltar	(Gib £)	1	0.6195	0.6632	0.5245
Greece	(Drachma)	489.377	303.170	324.539	256.866
Greenland	(Danish Krone)	11.2097	6.9444	7.4344	5.8798
Grenada	(E Carib $)	4.3584	2.7000	2.8905	2.2861
Panama	(Balboa)	1.6142	1	1.0706	0.8467
Papua New Guinea	(Kina)	3.8288	2.3726	2.5400	2.0088
Paraguay	(Guarani)	4701.38	2912.50	3117.96	2465.10
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

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MARKETS WEEK

April 19 - April 25

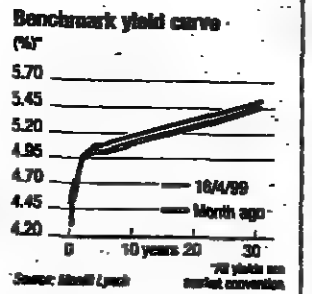
NEW YORK

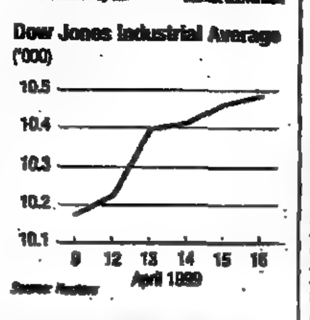
By Richard Waters

With a quarter of the companies in the Standard & Poor's 500 index already having reported, it looks like the first quarter of this year saw a bigger bounce in US corporate earnings than Wall Street had been expecting. If that picture is confirmed this week, the busiest of the reporting season, the rally in the leading market indices could well continue.

The S&P 500 looks set to beat analysts' estimates by 4 per cent and produce a 10 per cent increase in earnings from a year ago, according to First Call. After slashing their earnings estimates for companies in industries such as paper and metals early in the year, these companies now look like returning some of the biggest positive surprises, contributing to the sharp rebound in the stocks of such companies in the past two weeks.

In a light week for economic data, two reports should prove supportive of Treasury bonds. Tuesday's international trade figures are expected to show a deficit in February of around $16.7bn, putting a further drag on domestic growth. Wednesday is expected to show a further improvement in the Federal budget in March, with a deficit of $19bn for the month.





LONDON

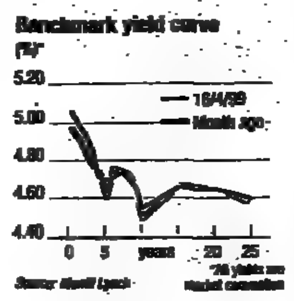
By Philip Coggan

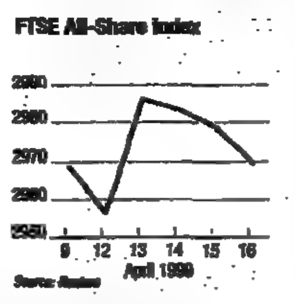
Economic statistics will dominate the UK week, giving investors a pointer as to whether UK interest rates have bottomed out after the recent quarter point cut to 5.25 per cent.

The most watched figure will probably be Friday's first estimate of first quarter gross domestic product growth. Optimism that the UK will avoid recession has prompted a switch into smaller company and cyclical stocks. Analysts are forecasting another slow period, with quarter on quarter growth of just 0.1 per cent, bringing the annual rate down to 1.1 per cent.

Retail price data on Tuesday is expected to show that underlying inflation has risen back above the government's 2.5 per cent target in March, thanks to Budget duty increases. Analysts are forecasting a 0.3 per cent monthly and 2.7 per cent annual rise.

Unemployment is expected to have risen in March by 6,000, according to the consensus forecast compiled by Standard & Poor's MMS. Average earnings growth for February is forecast to have edged down from 4.3 to 4.1 per cent. Associated British Foods and Bank of Scotland are the main companies reporting results this week.





FRANKFURT

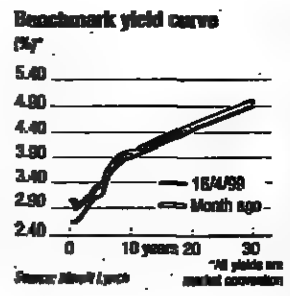
After moving largely sideways and ending last week only slightly higher at 5142.47, the Dax top 30-stock index may repeat its lacklustre performance this week, with few factors likely to influence sentiment.

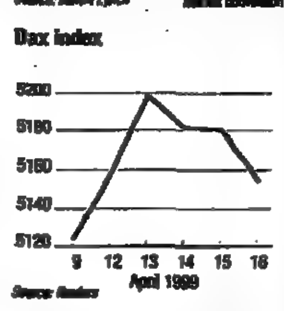
Investors were surprised that the European Central Bank's April 8 interest rate cut did not boost the Dax further last week, while Wall Street set a negative tone and led the Dax to close down 47.25 on Friday.

However, an increased interest in cyclical shares could signal renewed confidence in the global economy. As investors seem to think that the worst is over in the emerging markets of Asia and Latin America, they are returning to German machinery and pharmaceutical makers. Linde, MAN, Bayer and BASF all closed up on Friday.

Deutsche Telekom shares closed slightly lower on Friday, when it emerged that Deutsche Telekom and Telecom Italia are discussing a potential merger.

Next week, second-tier companies such as Heidelberger Zement and Jenoptik will hold their annual press conferences on Wednesday, while Siemens will announce its half-year earnings on the same day.





TOKYO

By Michiyo Nakamoto

Tokyo share prices are expected to move within a fairly narrow range this week in a tug-of-war between strong demand from institutions and profit-taking.

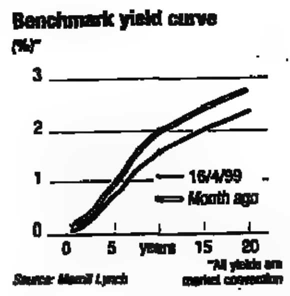
The focus of attention will be on whether the Nikkei average breaches the 17,000 mark, which it briefly went through last week. Demand from institutional investors is expected to remain firm and that will help sentiment.

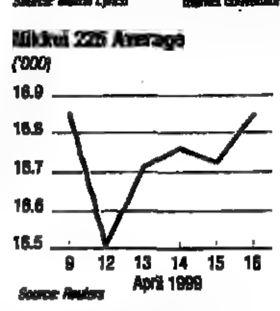
However, there are few other factors to influence the market. As a result, attention is likely to focus on events in the US, which has set the direction for Tokyo in recent weeks.

The yen's strength against the dollar will also be a factor as buying interest has focused on blue-chip exporters, such as Sony.

Retailers are expected to produce gloomy full-year figures, which could affect sentiment on the prospects for a recovery in consumer spending. The regional banking sector could also bring negative news.

Meanwhile, continuing speculation that the government will consider a supplementary budget could provide some direction if any political leaders signal how soon and how much any additional stimulus might be.





COMPANIES DIARY

EDITED BY MARTIN BRICE

UK retailing results will show tough trading

A series of results from retailers is expected to show how tough times have become on the UK high street, although investors may be able to take heart from the outlook contained in any trading updates. Debenhams, JJB Sports, Austin Reed and DFS should give a clear picture of consumer confidence. Among bigger companies, SmithKline Beecham and Bank of Scotland report.

TODAY

● Associated British Foods is expected by SG Securities to achieve a modest advance from £193m to £198m ($319m) pre-tax when it reports interim figures. The range of estimates goes from £180m to £196m. The results, which have been moved from last Monday, may have been hit by the strength of sterling. Its British Sugar subsidiary is expected to have reduced processing costs.

TUESDAY

● First-quarter numbers from SmithKline Beecham come during a big week for the pharmaceuticals group. These results, which are expected by Williams de Broë to come in at £495m, up from £440m, are followed on Thursday by Food and Drug Administration advisory meeting in the US on SB's drug Avandia. The market range of forecasts goes from £487m to £510m.

WEDNESDAY

● Bank of Scotland is expected to ease investor concerns as to the size of the provisions against bad loans it will make when it reports final figures. BT Alex Brown expects the bank to make provisions of £256m, up from £219m, reflecting a gradual rise in mortgage arrears. A consensus of forecasts from First Call, the estimates service, suggests that analysts expect a pre-tax figure of £902.7m, up from the £742m last time.

THURSDAY

● First-quarter figures from Imperial Chemical Industries may be overshadowed by an analysis of the deal it has struck with Huntsman of the US to sell its materials and industrial chemicals divisions. The need for disposals is expected to be underlined by these figures, with underlying numbers almost halved. The damage is expected to be done by the collapse into loss of the commodities side, while the core businesses are likely to have achieved an advance of about 5 per cent. Overall, a pre-tax figure of about £38m is forecast, down from the £87m achieved last time.

● Final figures from JJB Sports are unlikely to provide any surprises because the company warned in January that results would be at the lower end of expectations. That prompted the forecasts in the upper range – at about £48m – to cut towards the £40m area. Some £34.5m was achieved last year.

● Final figures from Austin Reed are likely to emphasise the difficulties suffered by some companies of operating in the current retail environment in the UK. The company issued a trading update in January that talked of a 12 per cent fall in like-for-like sales in the second half. A 30 per cent fall to £6m pre-tax is expected.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Maturity	Coupon %	Price	Yield %	Launch spread bp	Book-runner
US DOLLARS							
European Investment Bank	1bn	Dec 2004	5⅛	99.638R	5.488	+42(4¼Feb04)	ABN Amro/Merrill Lynch
ARHELT 1999-1	224	Apr 2029	(a1)	100.00	-	-	Bear Stearns
Banco Safra	125	Mar 2001	11.50	99.802R	-	-	Bear Stearns
Freddie Mac	3bn	Jan 2004	5.00	99.056R	5.486	+43(4¼Feb04)	Goldman/JPM/Salomon
Assocs Corp of N America	1.5bn	Apr 2004	5.80	99.853R	5.811	+60(4¼Feb04)	Bear Stearns/Goldman
Inter-American Dev Bank	1bn	Apr 2009	5.625	99.822R	5.755	+65(4¾Nov08)	Lehman/M Stanley
Rams, 99-6E, Cls A1(a1)	125	Oct 2002	(a1)	100.00	-	-	JP Morgan Securities
Rams, 99-6E, Cls A2(a2)	350	May 2005	(a2)	100.00	-	-	JP Morgan Securities
Coca-Cola Company	400	Apr 2009	5.75	99.73	5.786	+65(4¾Nov08)	Warburg Dillon Read
Republic of Argentina	500	Apr 2009	11.75	102.375	11.34	+623(Nov08)	Chase/Goldman Sachs
Republic of Austria	500	Apr 2006	5.50	99.7807R	5.539	+49(4¼Feb04)	Deutsche Bank
Korea Development Bank	1bn	Apr 2004	7.125	99.27R	7.302	+225(Feb04)	Chase/JP Morgan
Lehman BHCT I	300	undated	7⅞	100.00	-	-	Lehman Brothers
UBS Jersey Branch	150	May 2005	1.00	100.00	-	-	Warburg Dillon Read
Svenska Handelsbanken	150	Apr 2000	(k)	100.00	-	-	Tokyo-Mitsubishi Intl
Conseco Inc	1.25bn	Apr 2004	5.50	99.858R	5.58	+69(4¼Feb04)	CSFB/Salomon SB
Conseco Inc	750	Apr 2009	6.35	100.00R	6.35	+120(4¾Nov08)	CSFB/Salomon SB
Conseco Inc	1.9bn	Apr 2029	6.95	100.00R	6.95	+134(5¼Nov28)	CSFB/Salomon SB
[illegible]	1.2bn	Apr 2004	5.50	99.53R	5.609	+51(4¼Feb04)	Goldman/M Stanley
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LONDON MARKET DATA

LONDON RECENT ISSUES: EQUITIES

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

RIGHTS OFFERS

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FTSE GOLD MINES INDEX

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

STOCK INDICES

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CURRENCIES & MONEY

Market awaits data

An exciting week of news in the UK looms, at the end of which the market may have had cause to revise radically its view of likely future movements in interest rates.

Future rates as implied by the short sterling market have moved substantially in recent weeks, with traders scaling down their expectations of rate cuts later this year and pricing in rises early in 2000.

Three pieces of information should help the market make up its mind whether the sell-off in short sterling around the middle of the strip will continue.

On Wednesday the minutes of the Bank of England's monetary policy committee meeting for April will be released. The lack of a statement when the Bank cut rates by 25 basis points led to many in the market speculating that there had been a split vote. A substantial minority voting against the cut will give rise to the suspicion that the cycle of reductions has ended.

At the same time the labour market data for the UK will be released. Although the Bank has radically scaled down the amount of attention it pays to the labour market over the past six months, an unusually low or high out-turn for average earnings growth could give interest rate and currency markets something to think about.

Finally, the first estimate of UK gross domestic product for the first quarter of 1999 is released early in the London trading session on *Friday. The UK narrowly* avoided the first quarter of a technical recession in the fourth quarter of 1998 when it grew by 0.1 per cent. Although such data are backward-looking, a robust out-turn for GDP will support current expectations in the market that the economy will have a soft landing in the remainder of 1999.

With currencies trading mainly off relative growth rates, such an outcome should support sterling and help it maintain its $1.60-1.70 range against the dollar.

POUND SPOT FORWARD AGAINST THE POUND

Apr 16		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	Bank of Eng. Index
[illegible]													
South Korea	(Won)	1954.40	+0.3400	383 - 497	1985.57	1951.02	-	-	-	-	-	-	-
Taiwan	(T$)	53.0329	+0.0131	149 - 509	53.0512	52.6846	53.0241	0.2	53.0611	-0.2	53.3519	-0.6	-
Thailand	(Bt)	60.4276	-0.1584	561 - 991	61.1770	59.8900	60.3841	0.9	60.4669	-0.3	61.1702	-1.2	-

† Rates for Apr 15. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. * EMU member. The exchange rates printed in this table are also available on the internet at http://www.FT.com

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Apr 16		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	J.P. Morgan Index
[illegible]													
Taiwan	(T$)	32.8540	-0.0285	510 - 570	32.8800	32.8400	32.859	-0.2	32.894	-0.5	33.069	-0.7	-
Thailand	(Bt)	37.4330	-0.1400	000 - 700	37.5500	37.2900	37.42	0.5	37.465	-0.5	37.915	-1.3	-

† SDR rate per $ for Apr 15. [illegible] Official rate set by Malaysian government. The WM/Reuters rate for the valuation of capital assets is [illegible], a discount of 20% on the official rate. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. UK, Ireland & Euro are quoted in US currency. J.P. Morgan nominal indices Apr 15: Base average 1990=100. Bid, offer, mid spot rates and forward rates in both this and the Dollar table are derived from THE WM/REUTERS 4pm CLOSING SPOT and FORWARD RATE services. Some values are rounded by the F.T. * EMU member. The exchange rates printed in this table are also available on the internet at http://www.FT.com

WORLD INTEREST RATES

MONEY RATES

Apr 16	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Euro-zone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	2.50	3.00
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	2.50	3.00
Switzerland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	1.00	-
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	1.00	-
US	[illegible]	[illegible]	[illegible]	5	[illegible]	-	4.50	-
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	4.50	-
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	0.50	-
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	0.50	-
$ LIBOR BBA London								
Interbank Fixing	-	[illegible]	5	[illegible]	[illegible]	-	-	-
week ago	-	[illegible]	5	[illegible]	[illegible]	-	-	-
US Dollar CDs	-	4.75	4.76	4.80	4.92	-	-	-
week ago	-	4.75	4.77	4.82	4.94	-	-	-
Euro Linked Ds	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
week ago	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
SDR Linked Ds	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
week ago	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
BBA Euro Libor	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
week ago	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
Euro Euribor	-	2.615	2.626	2.644	2.710	-	-	-
week ago	-	2.680	2.680	2.676	2.719	-	-	-
EONIA	2.55	-	-	-	-	-	-	-
week ago	2.81	-	-	-	-	-	-	-
EUROMA	2.5530	-	-	-	-	-	-	-
week ago	2.8007	-	-	-	-	-	-	-

London Interbank fixing rate (LIBOR) is the BBA London rate, fixed at 11am. Mid rates are shown for the domestic Money Rates, US$ CDs, Euro & SDR Linked Deposits (Ds).

INTERNATIONAL CURRENCY RATES

Apr 16	Short term	7 days notice	One month	Three months	Six months	One year
Euro	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Danish Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible] - 3
Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Swiss Franc	[illegible]	[illegible]	[illegible]	[illegible]	1 - [illegible]	[illegible]
Canadian Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
US Dollar	[illegible]	[illegible]	[illegible]	5 - [illegible]	[illegible]	[illegible]
Japanese Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $Sing	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible] - 2

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH EURODOLLAR (CME) $1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	95.01	94.99	-0.03	95.01	94.98	36,998	456,002
Sep	94.95	94.87	-0.10	94.96	94.86	126,921	502,111
Dec	94.88	94.58	-0.11	94.67	94.58	50,274	363,246

■ US TREASURY BILL FUTURES (CME) $1m per 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	95.74	95.72	-0.06	95.74	95.72	46	1,387

■ POUND IN NEW YORK

Apr 16	---Close ---	-- Prev. close --
£ spot	1.6135	1.6103
1 mth	1.6130	1.6100
3 mth	1.6124	1.6093
1 yr	1.6127	1.6092

FT GUIDE to WORLD CURRENCIES

The FT Guide to World Currencies table can be found on the Markets page in today's edition.

■ OTHER CURRENCIES

Apr 16	£	$
Czech Rp	57.1326 - 57.2376	35.4070 - 35.4000
Hungary	381.466 - 382.079	236.340 - 236.640
Iran	4843.80 - 4841.40	3000.00 - 3000.00
Kuwait	0.4897 - 0.4904	0.3033 - 0.3036
Peru	5.3988 - 5.4057	3.3460 - 3.3480
Poland	6.4665 - 6.4713	4.0070 - 4.0080
Russia	41.2335 - 41.4145	25.5500 - 25.6500
U.A.E.	5.9272 - 5.9307	3.6728 - 3.6732

BANK RETURN

The Bank Return table can be found on page 28 in today's edition.

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Apr 16		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	€
Belgium*	(BFr)	100	18.43	16.26	4.848	1.952	4800	5.463	20.57	497.0	412.5	22.06	3.973	1.644	3.948	2.654	313.4	2.479
Denmark	(DKr)	54.26	10	8.823	2.631	1.059	2604	2.964	11.16	269.7	223.8	11.97	2.156	0.892	2.141	1.440	170.1	1.345
France*	(FFr)	61.50	11.33	10	2.982	1.201	2952	3.360	12.65	305.6	253.7	13.57	2.443	1.011	2.427	1.632	192.8	1.525
Germany*	(DM)	20.63	3.801	3.354	1	0.403	990.0	1.127	4.242	102.5	85.07	4.550	0.819	0.339	0.814	0.547	64.65	0.511
Ireland*	(I£)	51.22	9.440	8.329	2.483	1	2459	2.798	10.54	254.6	211.3	11.30	2.035	0.842	2.021	1.359	160.5	1.270
Italy*	(L)	2.083	0.384	0.339	0.101	0.041	100	0.114	0.429	10.35	8.593	0.460	0.083	0.034	0.082	0.055	6.530	0.052
Netherlands*	(Fl)	18.31	3.374	2.977	0.888	0.357	878.8	1	3.765	90.97	75.50	4.038	0.727	0.301	0.722	0.486	57.37	0.454
Norway	(NKr)	48.62	8.960	7.906	2.357	0.949	2334	2.656	10	241.6	200.5	10.73	1.932	0.799	1.919	1.290	152.4	1.205
Portugal*	(Es)	20.12	3.708	3.272	0.976	0.393	965.8	1.099	4.139	100	82.99	4.439	0.799	0.331	0.794	0.534	63.07	0.499
Spain*	(Pta)	24.24	4.468	3.942	1.175	0.473	1164	1.324	4.987	120.5	100	5.349	0.963	0.399	0.957	0.643	75.99	0.601
Sweden	(SKr)	45.33	8.354	7.371	2.198	0.885	2176	2.476	9.323	225.3	187.0	10	1.801	0.745	1.789	1.203	142.1	1.124
Switzerland	(SFr)	25.17	4.639	4.093	1.220	0.491	1208	1.375	5.177	125.1	103.8	5.553	1	0.414	0.993	0.668	78.89	0.624
UK	(£)	60.83	11.21	9.891	2.949	1.188	2920	3.323	12.51	302.3	250.9	13.42	2.417	1	2.400	1.614	190.6	1.508
Canada	(C$)	25.34	4.670	4.120	1.229	0.495	1216	1.384	5.212	125.9	104.5	5.590	1.007	0.417	1	0.672	79.42	0.628
USA	($)	37.68	6.944	6.127	1.827	0.736	1809	2.058	7.750	187.3	155.4	8.313	1.497	0.620	1.487	1	118.1	0.934
Japan	(Y)	31.91	5.880	5.188	1.547	0.623	1531	1.743	6.562	158.6	131.6	7.039	1.268	0.525	1.259	0.847	100	0.791
Euro	(€)	40.34	7.434	6.560	1.956	0.788	1936	2.204	8.297	200.5	166.4	8.900	1.603	0.663	1.592	1.071	126.4	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100. * EMU member.

■ D-MARK FUTURES (CME) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est.vol	Open int.
Jun	0.5494	0.5497	+0.0004	0.5500	0.5456	9,965	32,298
Sep	0.5506	0.5529	-0.0044	0.5531	0.5506	39	1,233
Dec	0.5550	0.5582	+0.0004	0.5550	0.5550	2	137

■ SWISS FRANC FUTURES (CME) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est.vol	Open int.
Jun	0.6716	0.6731	+0.0013	0.6732	0.6694	15,643	66,395
Sep	0.6786	0.6798	+0.0013	0.6799	0.6758	45	320
Dec	-	0.6866	+0.0014	0.6865	0.6850	10	14

■ JAPANESE YEN FUTURES (CME) Yen 12.5m per Yen 100

	Open	Latest	Change	High	Low	Est.vol	Open int.
Jun	0.8478	0.8554	+0.0071	0.8555	0.8416	21,416	60,763
Sep	0.8549	0.8681	+0.0073	0.8680	0.8649	185	1,238
Dec	0.8766	0.8767	+0.0075	0.8768	0.8742	11	1,459

■ STERLING FUTURES (CME) £62,500 per £

	Open	Latest	Change	High	Low	Est.vol	Open int.
Jun	1.6082	1.6136	+0.0050	1.6150	1.6024	6,906	63,779
Sep	-	1.6130	+0.0050	1.6160	-	47	1,224
Dec	-	1.6126	+0.0050	1.6110	-	1	30

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Apr	May	Jun	PUTS Apr	May	Jun
1.610	0.44	1.43	1.88	0.05	0.97	1.50
1.620	0.03	0.84	1.45	0.54	1.49	1.91
1.630	-	0.50	1.06	1.39	2.15	2.52

Previous day's vol., Calls 29 Puts 0 . Prev. day's open int., Calls 1,022 Puts 1,409

■ PHILADELPHIA SE D-MARK/$ OPTIONS DM62,500 ($ per DM)

Strike Price	CALLS Apr	May	Jun	PUTS Apr	May	Jun
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BENCHMARK GOVERNMENT BONDS

[illegible]

London closing, * New York closing. Yields: Local market standard. Yields shown for Italy exclude withholding tax at 12.5 per cent payable by nonresidents.

UK INTEREST RATES

LONDON MONEY RATES

Apr 16	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling CDs	-	-	[illegible]	[illegible]	-	-
Treasury Bills	-	-	[illegible]	5 - [illegible]	-	-
Bank Bills	-	-	[illegible]	[illegible]	-	-
Local authority deps.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible] - 5	[illegible]
Discount Market deps	[illegible]	[illegible]	-	-	-	-

UK clearing bank base lending rate 5¼ per cent from Apr 8, 1999

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	4	6.5	6.5	6.25	6.25

Certs of Tax dep. under £100,000 is 4pc. Deposits withdrawn for cash 2pc. Ave. tender rate of discount on Mar 12, 4.8907pc. ECGD fixed rate Stlg. Export Finance. Make up day Mar 31, 1999. Agreed rate for period Apr 26, 1999 to May 25, 1999, Scheme III 6.69pc. Reference rate for period Feb 27, 1999 to Mar 31, 1999, Schemes IV & V 5.410pc. Finance House Base Rate 5.5pc for Apr 1999.

BANK OF ENGLAND TREASURY BILL TENDER

	Apr 16	Apr 9
Bills on offer	£200m	£200m
Total of applications	£1,539m	£1,237m
Total allocated	£200m	£200m
Min. accepted bid	£98.773	£98.780
Allotment at min. level	42%	61%

	Apr 16	Apr 9
Top accepted rate	4.9215%	4.8934%
Ave. rate of discount	4.9035%	4.8907%
Average yield	4.9642%	4.9510%
Offer at next tender	£200m	£200m
Min. accept. bid 28 days	£99.612	£99.610

BASE LENDING RATES

	%		%		%
Adam & Company	5.25	Exeter Trust Limited	5.25	Smith & Williamson	5.25
Allied Irish Bank (GB)	5.25	●Robert Fleming & Co	5.25	Sun Bank	5.25
●Henry Ansbacher	5.25	Habib Bank AG Zurich	5.25	TSB	5.25
Banco Bilbao Vizcaya	5.25	Heritable & Gen Inv Bk	5.50	United Bank of Kuwait	5.50
Bank of Cyprus	5.25	C. Hoare & Co	5.25	Unity Trust Bank Plc	5.25
Bank of Ireland	5.25	●SG Hambros Bank & Trust	5.25	Whiteaway Laidlaw	5.25
Bank of India	5.25	Hongkong & Shanghai	5.25	Yorkshire Bank	5.25
Bank of Scotland	5.25	Investec Bank (UK) Ltd	5.25		
Barclays Bank	5.25	Julian Hodge Bank	5.25		
Brit Bk of Mid East	5.25	●Leopold Joseph & Sons	5.25		
●Brown Shipley & Co Ltd	5.25	Lloyds Bank	5.25		
Citibank NA	5.25	Midland Bank	5.25		
Clydesdale Bank	5.25	NatWestminster	5.25		
The Co-operative Bank	5.50	●Rea Brothers	5.25		
Coutts & Co	5.25	Royal Bk of Scotland	5.25		
Cyprus Popular Bank	5.25	Scottish Widows Bank	5.50		
Duncan Lawrie	5.25	●Singer & Friedlander	5.25		

● Members of London Investment Banking Association

UK GILTS PRICES

	Notes	Price £	Wk % +/-	Amnt £m	Interest due	Last xd	City line
Shorts" (Lives up to Five Years)							
Treas 10½pc 1999		100.4300	-1	1,252	Nv19 My19	10.11	1268
[illegible]							
Treas 8½pc 2005		121.5000	-.5	10,373			
[illegible]							

Other Fixed Interest

[illegible]

● "Tap" stock. All UK Gilts are tax-free to non-residents on application. £ Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds per £100 nominal of stock. Weekly percentage changes are calculated on a Friday to Friday basis.

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EURO MARKETS

Athens rises to high on investor optimism

War in Kosovo has failed to dent hopes that Greece will qualify for membership of the euro later this year, writes **Kerin Hope**

The war in Kosovo has barely dented the optimism of Greek investors. After volatility at the start of Nato's bombardment of military targets in Yugoslavia, prices on the Athens stock exchange are approaching the highs of early spring.

Bond prices also wavered but quickly recovered. Spreads on Greek 10-year bonds are around 190 basis points above their German equivalents, comfortably below the 200-point level seen as a benchmark for Greece's effort to achieve euro-zone convergence.

Last Thursday the Athens general index closed at 3,640.9, marking a 3 per cent gain on the week, before slipping 1.72 per cent on the week the next day.

For the moment, domestic investors who drive the stock market and international institutions that are the biggest buyers of government bonds seem convinced Greece's bid to qualify this year for euro-membership will not be derailed by the Kosovo crisis.

However, prices of Greek blue-chip companies that have invested in Serbia as part of an overall expansion strategy in the Balkans and the former Soviet Union, have fallen.

Worst affected is Ote, the partly-privatised telecommunications operator, which holds a minority stake in the Serbian state operator alongside Telecom Italia. Its share price has fallen more than 10 per cent amid reports of widespread bomb damage to Serbia's telecoms network.

Mytileneos, a metals trader which has been operating the Trpca mining complex in Kosovo, also suffered. But other leading companies like Hellenic Bottling, which holds the Coca-Cola franchise in Serbia and Delta Dairy, an ice-cream producer with a plant in Belgrade, are less exposed because their Serbian investments are comparatively small.

"Greek companies are in the Balkans for the long-term. At the moment income derived from the region is low," said Stephen Watson, head of equities research at NBG International in London. "But if the war drags on there'll be a knock-on effect for companies with investments in other parts of the region."

Greek companies are the biggest investors in Albania and Macedonia, and have a sizeable exposure in Bulgaria. The overall investment by Greek companies in the southern Balkans is estimated at about $1bn.

Small investors have joined the market in droves this year and are optimistic. They are investing heavily in construction stocks on expectations of companies winning contracts to upgrade road links with Greece's Balkan neighbours, as part of a Dr9,000bn (€27bn,$29.7bn) package of EU aid approved at last month's Berlin summit.

Greek contractors have been exploring the Yugoslav market and some have formed joint ventures with Belgrade-based companies for projects elsewhere in the region. They hope to participate in rebuilding infrastructure in Serbia.

"The index would have gained another 20 per cent if the crisis had been averted. But it's stayed buoyant because of interest from small investors. Newcomers see every dip as a buying *opportunity*," *said Panagis* Vourloumis, chief executive of Alpha Finance, the investment arm of Alpha Credit Bank, Greece's biggest private bank.

As the Nato bombardment intensifies, the question for investors is whether positive economic developments will continue to outweigh worries about regional risk.

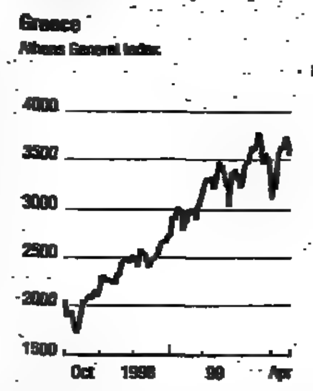
First-quarter economic figures have bolstered confidence, indicating that Greece is in line to achieve this year all the convergence targets for entry to the euro-zone. The growth outlook is strong, with gross domestic product set to rise 3.7 per cent this year. Significantly, the EU has endorsed for the first time the finance ministry's projections on inflation and the budget deficit.

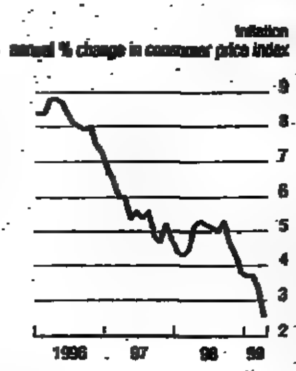
The budget deficit is set to fall from 2.4 per cent to 1.9 per cent of gross domestic product, well within the 3 per cent of GDP convergence ceiling. A sharp fall in inflation from 3.4 per cent to about 2.6 per cent is expected this month, as the effects *of last March's drachma* devaluation disappear from the consumer price index.

But reducing inflation to within 1.5 percentage points of the average in the three-best performing euro-zone countries is becoming a struggle. The finance ministry is worried over rising oil prices, which could undermine Greece's chances of reaching the target of a 2 per *cent* annual *inflation rate* by this year-end.

"Everything is a little worse," said Ilaria Formari, economist at J.P Morgan in Milan."But the markets have a pragmatic attitude. We don't see the war risk stopping Greece from reaching its Emu goal."

Greece





Source: Datastream/ICV

FTSE Actuaries Share Indices — European series

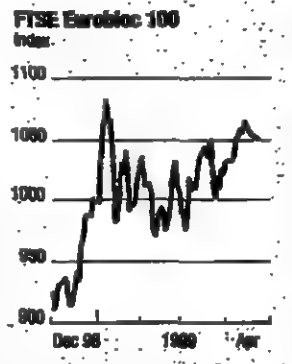
Produced in conjunction with the Faculty and Institute of Actuaries

Apr 16	Euro Index	Day's %	change points	Yield gross %	p/e ratio	Total retn (Euro) €
[illegible]						

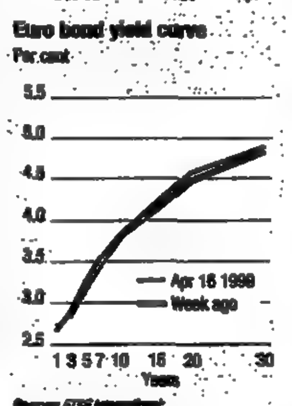
EURO-ZONE BONDS

Apr 16	Red date	Coupon	S & P Rating	Bid price	Bid yield	Day's chge yld	Mth's chge yld	Spread v Bunds
UK	01/01	4.250	AAA	102.790	2.61	+0.00	-0.51	-0.15
Denmark	01/02	4.750	AA+	104.273	3.08	+0.00	-0.17	+0.18
[illegible]								

FTSE Eurobloc 100



Euro bond yield curve



EURO SPOT FORWARD AGAINST THE EURO

Apr 16		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA
Europe												
Czech Rep.	(Koruna)	37.8280	+0.2826	991 - 369	37.9700	37.7650	38.0730	-4.8	38.3455	-4.4	39.4313	-4.0
Denmark	(DKr)	7.4344	+0.0021	306 - 381	7.4380	7.4300	7.4374	-0.5	7.4432	-0.5	7.4489	-0.2
[illegible]												

OTHER INDICES

	Apr 16	Apr 15	Apr 14	1999 High	1999 Low	Since compilation High	Since compilation Low
DJ Stoxx 50	[illegible]						
DJ Euro Stx 50	[illegible]						
MSCI Europe	[illegible]						

For real-time FTSE Eurotop 300 index quotes call FT Cityline on 0906 843 5920. Calls are charged at 60p per minute at all times.

Notes	Price	Chge	Mkt cap	Yld	P/E
[illegible]					

LONDON SHARE SERVICE

AEROSPACE & DEFENCE

[illegible]

AUTOMOBILES

[illegible]

BANKS

[illegible]

BEVERAGES

[illegible]

CHEMICALS

[illegible]

CONSTRUCTION & BUILDING MATERIALS

[illegible]

CONSTRUCTION & BUILDING MATERIALS - Continued

[illegible]

DISTRIBUTORS

[illegible]

DIVERSIFIED INDUSTRIALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONIC & ELECTRICAL EQUIPMENT

[illegible]

ENGINEERING & MACHINERY

[illegible]

ENGINEERING & MACHINERY - Continued

[illegible]

FOOD & DRUG RETAILERS

[illegible]

FOOD PRODUCERS & PROCESSORS

[illegible]

FORESTRY & PAPER

[illegible]

GAS DISTRIBUTION

[illegible]

GENERAL RETAILERS

[illegible]

HEALTH

[illegible]

HOUSEHOLD GOODS & TEXTILES

[illegible]

HOUSEHOLD GOODS & TEXTILES - Continued

[illegible]

INFORMATION TECHNOLOGY HARDWARE

[illegible]

INSURANCE

[illegible]

INVESTMENT COMPANIES

[illegible]

INVESTMENT COMPANIES - Continued

[illegible]

INVESTMENT COMPANIES - Continued

[illegible]

INV TRUSTS SPLIT CAPITAL

[illegible]

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LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Continued

[illegible]

MINING - Continued

[illegible]

REAL ESTATE - Continued

[illegible]

SPECIALITY & OTHER FINANCE - Continued

[illegible]

TRANSPORT - Continued

[illegible]

WATER

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

SOUTH AFRICANS

[illegible]

TRADED INDEX SECURITIES

[illegible]

AIM - Continued

[illegible]

LEISURE, ENTERTAINMENT & HOTELS

[illegible]

OIL & GAS

[illegible]

REAL ESTATE - Continued

[illegible]

STEEL & OTHER METALS

[illegible]

SUPPORT SERVICES

[illegible]

AIM

Alternative Investment Market

The Alternative Investment Market, designed primarily for small companies, is regulated by the London Stock Exchange but has less demanding rules than the Official List.

[illegible]

LIFE ASSURANCE

[illegible]

PACKAGING

[illegible]

RESTAURANTS, PUBS & BREWERIES

[illegible]

MEDIA & PHOTOGRAPHY

[illegible]

PERSONAL CARE & HOUSEHOLD PRODUCTS

[illegible]

SOFTWARE & COMPUTER SERVICES

[illegible]

PHARMACEUTICALS

[illegible]

TELECOMMUNICATIONS SERVICES

[illegible]

REAL ESTATE

[illegible]

TOBACCO

[illegible]

TRANSPORT

[illegible]

MINING

[illegible]

SPECIALITY & OTHER FINANCE

[illegible]

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service are delivered by Financial Times Information.

Company classifications are based on those used for the FTSE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise indicated. For FTSE Index constituents and reserves, last trade prices at or prior to market close are shown, as these shares are now traded on the Stock Exchange Electronic Trading System ("SETS").

Net dividends are shown in pence unless otherwise indicated.

Where stocks are denominated in currencies other than sterling, this is indicated after the name. Prices shown for some of these foreign securities are converted into sterling from latest available local Stock Exchange prices.

Dividend covers are calculated on a "net" basis.

Market capitalisations shown are calculated separately for each line of stock quoted.

- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- Figures or report awaited
- Rule 2.1(a)(iv) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- †† Rule 4.2(a) Irish incorporated non-listed companies.
- ‖ Price at time of suspension
- Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend, cover based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Annualised dividend. b Figures based on prospectus or other official estimates. c Cents. f Dividend adjusted for complex issue g Assumed dividend h Assumed dividend after scrip issue. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend excludes a special payment. t Indicated dividend: cover relates to previous dividend. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings.

v Dividend includes interim payable after 5/4/99. z Dividend includes a special payment. Cover does not apply to special payment. F Dividend based on prospectus or other official estimates for 1998-99. G Assumed dividend after pending scrip and/or rights issue. H Dividend based on prospectus or other official estimates for 1999. K Dividend based on prospectus or other official estimates for 2000 L Estimated annualised dividend. Cover based on latest annual earnings.

M Dividend based on prospectus or other official estimates for 1999-2000. N Dividend is paid in whole or part as a FID (Foreign Income Dividend). P Dividend adjusted for consolidation or share split. Q Gross. R Forecast annualised dividend, cover based on prospectus or other official estimates. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xR ex capital distribution

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1575 a year for each security shown, subject to the Editor's discretion.

FT Share Service

The following changes have been made to the FT Share Information Service: Additions: SGI Endowment Fund III and Mercury Asset Allocator (InCo), Jupiter Enhanced Inc and Do Zero Div Pyf (ITSC), Marna (S&CS). Deletions: Bestock (Chat), Evans Halshaw (Dist), Clyde Blowers (Eng), Stadia Fund (InCo), Pressed (SpSe).

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For Retail Price Index details call 0906 843 0005.

The FT web site

London share prices are available throughout the trading day with a 20 minute delay from our web site, http://www.ft.com, which also has the closing share prices printed on these pages.

FT MANAGED FUNDS SERVICE

OFFSHORE AND OVERSEAS

BERMUDA (FSA RECOGNISED)

Fidelity Currency Funds Ltd

BERMUDA (REGULATED)(**)

Antares Investment Management Ltd

Credit Lyonnais Rouse (Bermuda) Ltd

CAYMAN ISLANDS (REGULATED)(**)

Adelphi Europe Fund

MFS Meridian Funds - Contd.

GUERNSEY (FSA RECOGNISED)

Royal Bk of Canada O/S Fd Mgrs Ltd - Contd.

GUERNSEY (REGULATED)(**)

IRELAND (FSA RECOGNISED)

Aberdeen Prolific Intl Fund Plc

GT Global - Contd.

Global Asset Management (GAM)

The Hotel Mutual Investment Company Plc

Baring International Fund Mgrs - Contd.

Henderson Crosthwaite Investment Co

Herald Investment Fund Plc

IRELAND (REGULATED)(**)

AIB Fund Management Ltd

Global Resources Stock Fund

Pioneer Management (Ireland) Ltd

ISLE OF MAN (FSA RECOGNISED)

ISLE OF MAN (REGULATED)(**)

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Offshore Funds and Insurances

FT MANAGED FUNDS SERVICE

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JERSEY (FSA RECOGNISED)

AIB Fund Managers (CI) Ltd

AIB Govett (Channel Islands) Limited (1000)F

Midland Bank Fund Managers (Jersey) Ltd

Fidelity Funds - Contd.

Lombard Odier Invest - Contd.

Schroder International Selection Fd - Contd.

Banque Internationale A Luxembourg

Indocam Mosais SICAV

Scudder Global Opportunities Funds - Contd.

LUXEMBOURG (FSA RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (REGULATED)(**)

OFFSHORE INSURANCES

FT MANAGED FUNDS SERVICE

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Allied Dunbar International Assce Ltd (z)

CMI Insurance Co Ltd

Old Mutual International (Guernsey) Ltd

AXA Investment Managers Paris

Aberdeen Asset Management Asia Limited

Ability Fund Limited

Culross Global Management Limited

DWS Deutsche Ges. F. Wertpapiersp

Daehan Investment Trust Co Ltd

Daiwa Intl Capital Management (H.K.) Ltd

Formosa Fund

Foyil Asset Management Ltd

Frank Russell Investments (Cayman) Ltd

GBC Asset Management

GNI Fund Management (Bermuda) Ltd

Genesis Fund Managers Ltd

Gumo Capital Limited

The Glanmore Property Fund Ltd

Highland Fund Advisors Limited

Heff Capital Corp

IDF Inv & Development Financing Ltd

IKOS

Indic Investment AG

Merrill Lynch Asset Management - Contd.

Merrill Lynch Investment Partners

Millennium Asset Management

Momentum Asset Mgmt

Schroder Investment Mngt (Hong Kong) Ltd

Dresdner Bank Investment Group

Global Asset Management

OTHER OFFSHORE FUNDS

● MANAGED FUNDS NOTES

Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE (EMU) Prices in €

AUSTRIA (Apr 16) 1 € = 13.76030 Sch

BELGIUM/LUX (Apr 16) 1 € = 40.3399 Frs.

FINLAND (Apr 16) 1 € = 5.94573 Mks

FRANCE (Apr 16) 1 € = 6.55957 Frs.

GERMANY (Apr 16) 1 € = 1.95583 Dm.

IRELAND (Apr 16) 1 € = 0.78756 Punt

ITALY (Apr 16) 1 € = 1936.27000 Lire

NETHERLANDS (Apr 16) 1 € = 2.20371 Fl.

PORTUGAL (Apr 16) 1 € = 200.48200 Esc.

SPAIN (Apr 16) 1 € = 166.38600 Pts

EUROPE (NON-EMU)

CZECH REP (Apr 16 / Koruna)

DENMARK (Apr 16 / Kr)

GREECE (Apr 16 / Drachma)

NORWAY (Apr 16 / Kroner)

POLAND (Apr 16 / Zloty)

SWEDEN (Apr 16 / Kronor)

SWITZERLAND (Apr 16 / Frs.)

TURKEY (Apr 16 / Tk Lira)

PACIFIC

JAPAN (Apr 16 / Yen)

HONG KONG (Apr 16 / H.K.$)

INDONESIA (Apr 16 / Rupiah)

MALAYSIA (Apr 16 / MYR)

NEW ZEALAND (Apr 16 / NZ $)

SINGAPORE (Apr 16 / S$)

SOUTH KOREA (Apr 16 / Won)

TAIWAN (Apr 16 / TW $)

THAILAND (Apr 16 / Baht)

AUSTRALIA (Apr 16 / Aust$)

AMERICAS

CANADA

TORONTO (Apr 16 / Can $)

4 pm close

MONTREAL (Apr 16 / Can $)

4 pm close

MEXICO (Apr 16 / Peso)

12.30pm

AFRICA

SOUTH AFRICA (Apr 16 / Rand)

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The Indices are compiled by FTSE International Limited and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries.

NATIONAL AND REGIONAL MARKETS — Figures in parentheses show number of lines of stock — FRIDAY APRIL 16 1999 — THURSDAY APRIL 15 1999 — DOLLAR INDEX

Emerging markets: IFC Investable indices

Dollar terms

Apr 15

4 pm close April 16

NEW YORK STOCK EXCHANGE PRICES

- A -

- B -

- C -

- D -

- E -

- F -

- G -

- H -

- I -

- J -

- K -

- L -

- M -

- N -

- O -

- P - Q -

- R -

- S -

- T -

- U -

- V -

- W -

- X - Y - Z -

Price data supplied by Financial Times Information.

Yearly highs and lows for NYSE reflect the period from Jan 1 1998. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Volume figures are unofficial.

d-new yearly low. P/E price-earnings ratio. vol- volume. e-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full
Dealings suspended.

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GLOBAL EQUITY MARKETS

US INDICES

Dow Jones	Apr 16	Apr 15	Apr 14	1999 High	1999 Low	Since compilation High	Since compilation Low
Industrials	10493.89	10462.72	10411.66	10493.89 (16/4)	9120.67 (22/1)	10493.89 (16/4/99)	41.22 (8/7/32)
Home Bonds	104.08	104.30†	104.13	106.88 (13/1)	103.95 (1/4)	107.17 (8/12/98)	54.99 (1/10/81)
Transport	3528.70	3453.57	3443.32	3528.70 (16/4)	3063.80 (22/1)	3686.02 (16/4/98)	13.23 (8/7/32)
Utilities	298.15	293.96	291.58	311.91 (4/1)	286.44 (12/2)	330.51 (8/10/98)	16.53 (8/7/32)

DJ Ind. Day's high (a) (10673.90) Low (a) (10201.31) (Theoretical¶)
Day's high 10520.01(10500.74) Low 10386.51 (10378.53) (Actual¶)

Standard and Poors	Apr 16	Apr 15	Apr 14	1999 High	1999 Low	Since compilation High	Since compilation Low
Composite‡	1319.00	1322.85†	1328.58	1358.64 (12/4)	1212.19 (14/1)	1358.64 (12/4/99)	4.40 (1/6/32)
Industrials¶	1580.07	1585.40	1591.54	1632.01 (12/4)	1451.72 (14/1)	1632.01 (12/4/99)	3.52 (30/6/32)
Financial¶	146.00	146.21	147.86	149.90 (12/4)	123.72 (9/2)	149.90 (12/4/99)	7.13 (4/3/74)
Others							
NYSE Comp.	624.90	622.29	625.87	633.13 (12/4)	576.52 (9/2)	633.13 (12/4/99)	4.84 (25/4/42)
Amex Comp	745.41	737.93	738.12	745.41 (16/4)	683.61 (4/1)	763.87 (22/4/98)	524.20 (16/7/98)
NASDAQ Cmp	2484.04	2521.77	2507.28	2598.92 (12/4)	2208.05 (4/1)	2598.92 (12/4/99)	54.87 (3/10/74)
Russell 2000	421.58	417.77	417.39	438.13 (11/1)	383.37 (23/3)	491.41 (21/4/98)	128.36 (7/12/98)

RATIOS

	Apr 9	Apr 2	Mar 26	Year ago
Dow Jones Ind. Div. Yield	1.56	1.61	1.61	1.56
	Apr 14	Apr 7	Mar 31	Year ago
S & P Ind. Div. yield	1.06	1.07	1.11	1.31
S & P Ind. P/E ratio	41.48	41.83	40.39	30.69

US DATA

MARKET ACTIVITY

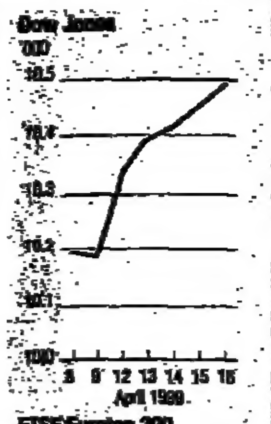
Volume (million)	Apr 16	Apr 15	Apr 14
NYSE	1,004.5	1,084.8	932,010
Amex	44,483	47,000	40,045
NASDAQ	1,032.7	1,280.1	1,428.5

NYSE TRADING ACTIVITY

Volume : 1,004,954,000

ACTIVE STOCKS

Friday	Stocks traded	Close price	Day's change
Compaq	14,284,000	23⅝	
AmOnLine	11,736,500	142⅛	−1⅛
Boeing	10,767,600	39⅞	−2⅛
Merck	8,443,200	77⅝	+⅝
EMC	8,284,200	107⅝	−8⅝
LucentTch	8,174,800	59⅜	−1⅛
Citgrp	8,078,300	71⅝	+1⅛



JAPAN

	Apr 16	Apr 15	Apr 14	1999 High	1999 Low	Since compilation High	Since compilation Low
Nikkei 225	16851.58	16727.08	16764.88	[illegible]	13232.74	38915.9	85.25

Day's high: 16970.05. Day's low: 16754.31.

TOKYO TRADING ACTIVITY

Volume : 770,000,000

ACTIVE STOCKS / BIGGEST MOVERS

FRANCE

	Apr 16	Apr 15	Apr 14	1999 High	1999 Low	Since compilation High	Since compilation Low
CAC 40	4300.91	4310.64	4349.26	4387.41	3958.72	4388.48	984.61

Day's high: 4350.14 Day's low: 4285.07.

PARIS TRADING ACTIVITY

Volume : 761,506,590

ACTIVE STOCKS

Friday	Stocks traded	Close price	Day's change
FrTele	2,558,495	80.9	−2.9
Alcatel	2,238,188	124.8	+7.9
Usinor	1,951,600	14.9	+0.14
Renault	1,555,649	37.07	+0.07
TotalB	1,517,837	118.1	+2.2
Schndr	1,310,421	59.9	+2.7
Axa	1,223,933	121.5	−4.8
Rhodia	1,132,673	17.89	+1.39
EffAqu	1,061,652	136	+6.7
PechnyA	930,675	40	+1.7

BIGGEST MOVERS

Friday	Close price	Day's change	Day's chge %
Ups			
Rhodia	17.89	+1.39	+8.4
Legris	42.74	+2.74	+6.9
Alcatel	124.8	+7.9	+6.8
Peug't	161	+8.5	+5.6
Downs			
L'Oreal	571	−31.5	−5.3
Atos	75.5	−5.5	−6.8
LVMH	215	−15	−6.5
Sanofi	146.7	−9.3	−6.0

GERMANY

	Apr 16	Apr 15	Apr 14	1999 High	1999 Low	Since compilation High	Since compilation Low
DAX	5155.35	5181.01	5182.18	5443.82	4678.72	6171.43	931.18

Day's high: 5202.28. Day's low: 5131.78.

FRANKFURT TRADING ACTIVITY

Volume : 17,875,701

ACTIVE STOCKS / BIGGEST MOVERS

UK

	Apr 16	Apr 15	Apr 14	1999 High	1999 Low	Since compilation High	Since compilation Low
FTSE 100	6420.8	6468.1	6493.6	6513.10	5770.20	6513.1	986.9

Day's high: 6513.2. Day's low: 6410.8.

LONDON TRADING ACTIVITY

Volume : 1,884,700,000

ACTIVE STOCKS / BIGGEST MOVERS

INDEX FUTURES

S&P 500	Open	Latest	Change	High	Low
Jun	1332.00	1323.00	−9.00	1336.00	1318.00
Sep	1345.00	1335.80	−9.20	1348.00	1334.00

Nikkei 225	Open	Sett price	Change	High	Low
Jun	16850.0	16790.0	+80.0	16890.0	16740.0
Sep	16700.0	16820.0	+120.0	16900.0	16700.0

Open interest figures for previous day.

WORLD MARKETS AT A GLANCE

THE NASDAQ-AMEX MARKET GROUP

4 pm close April 16

AMEX

4 pm close April 16

EASDAQ

FT GUIDE TO THE WEEK

MONDAY 19

Banana sanctions bite

The World Trade Organisation in Geneva is due to authorise the US to go ahead with nearly $200m in trade sanctions against the European Union in their dispute over bananas. Products on the US hit list include batteries, lithographs and luxury handbags. The WTO has told the EU to change its banana import regime, which, it says, discriminates unfairly against Latin American bananas and US banana distributors in favour of bananas from African, Caribbean and Pacific countries.

Questions of interest

Wim Duisenburg, chairman of the European Central Bank, gives evidence to the European Parliament's monetary subcommittee at a hearing in Brussels. He is likely to be quizzed on the bank's recent sharp cut in interest rates and the direction of future European monetary policy.

Reichstag returns

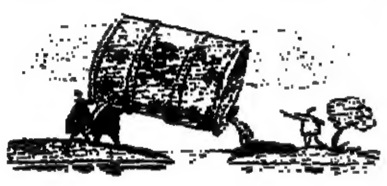
The Reichstag, the former German parliament building, reopens in Berlin, when members of the Bundestag sit there for the first time. The sitting will last only one day, and sessions will resume in Bonn. The parliament is not expected to sit in Berlin on a permanent basis before September.

Environmental action

The United Nations Commission on Sustainable Development begins a two-week meeting in New York to discuss international action on the environment. The four main topics under consideration are sustainable tourism; oceans, including overfishing, pollution and destruction of coral reefs; issues facing small island developing states; and sustainable production and consumption patterns. The 53-strong commission is charged with following up the conclusions of the 1992 Earth Summit in Rio de Janeiro.

Unwanted hazards

Government experts meet in Geneva this week to make progress on a new international pact regulating liability and compensation for hazardous waste exports. The draft protocol, due to be



finalised in December, has been demanded by developing countries that lack resources to clean up unwanted hazardous waste dumps or spills. Among the issues to be decided by negotiators are: who should bear responsibility for accidents, whether illegal traffic should be covered, and establishment of a multilateral fund to help with clean-ups.

Open house: the restored Reichstag in Berlin holds an inaugural session of Germany's lower house of parliament today. The inscription reads 'To the German people' Reuters

Romanian strike threat

Four labour confederations in Romania plan to stage a strike in protest at falling living standards. Unions are threatening a general strike on April 26.

Slovakian overture

Hans van den Broek, acting European Union commissioner for relations with eastern European countries, visits Slovakia. The country's new coalition government is more keen to woo the EU than the former administration of prime minister Vladimir Meciar.

Backing for Bangladesh

The World Bank sponsors a meeting in Paris to promote international aid and investment to Bangladesh, still suffering the effects of last year's devastating floods.

Holidays

Sierra Leone, Zimbabwe, Uruguay, Venezuela, Switzerland.

TUESDAY 20

Money matters

The International Monetary Fund and the World Bank hold their spring meeting (to April 28) in Washington. Russian economic ministers hope the IMF will write off much of the $100bn debt owed by the old Soviet Union. IMF approval of the plan would allow the Russians to begin debt restructuring talks with the Paris and London Clubs of creditors.

Kohl's freedom medal

Helmut Kohl, the former German chancellor, receives the US presidential medal of freedom from Bill Clinton at the White House. The medal is being presented in honour of Kohl's work towards European integration and furthering bilateral relations.

Diamond dispute

A task force set up by Penuell Maduna, South African minister of minerals and energy, is due to report on a dispute between De Beers, the mining group, and the government over tax assessment of diamond exports. The dispute has held up diamond shipments for several weeks.

Holiday

Israel.

WEDNESDAY 21

Cleaning up airports

Amsterdam's Schiphol airport hosts a three-day conference on how to reconcile airport development with environmental considerations. Titled Greenport '99, the conference will look at airport planning, transport needs, air pollution, environmental audits and, of course, noise.

FT Survey

Queen's Awards for Industry.

Holidays

Brazil, Israel.

THURSDAY 22

WTO trade report

The Geneva-based World Trade Organisation publishes its assessment of international trade in 1998 and the outlook for 1999. Export growth slowed sharply last year from 1997 as the Asian economic crisis took its toll, and this year is expected to show a similar picture. The US and, to a lesser extent, western Europe boosted imports strongly last year but both are expected to register slower economic growth in 1999. On the other hand, there are signs of a modest recovery in the crisis-hit Asian economies.

The old problem

The sixth conference of European health ministers on Ageing in the 21st Century is held in Athens. Discussions are expected to focus on the impact a greying society will have on the region.

Asia Pacific meeting

The United Nations Economic and Social Commission for Asia and the Pacific (Unescap) holds its 55th session in Bangkok (to April 28). Among those expected to attend is Wu Donghe, the Chinese assistant foreign minister.

Nafta gathers

Trade ministers of the North American Free Trade Agreement (US, Canada, Mexico) meet in Toronto for two days of talks.

Holiday

Iceland.

FRIDAY 23

Nato's 50th

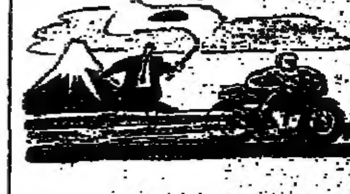
The North Atlantic Treaty Organisation meets in Washington to mark its 50th anniversary and to welcome three new members, Poland, Hungary and the Czech Republic (to April 25).

Last gasp

US cigarette advertising billboards must be removed as a tobacco advertising ban comes into force across the nation. It is part of the $206bn settlement between tobacco companies and state governments.

Two-wheel grand prix

The second round of the 1999 motorcycle road racing world championship, the three-day Japanese Grand Prix, opens in Motegi, eastern



Japan. Some 26 Japanese riders will compete against 60 racers from 14 countries in 500cc, 250cc, and 125cc classes.

Holiday

Turkey.

SATURDAY 24

Fiji election

Fiji holds its first general election under a new constitution designed to increase power-sharing between political parties and protect the interests of all communities after a long period of ethnic tension.

FT Surveys

Clocks, Watches and Jewellery; Quarterly Review of Personal Finance (UK editions only).

Holidays

Armenia, Niger.

SUNDAY 25

Venezuelan shake-up

Venezuelans vote in a plebiscite over a constituent assembly that would rewrite the country's constitution by early next year and have unrestricted powers to reform the state. The assembly, made up of 130 popularly elected representatives, is the centrepiece of president Hugo Chavez's radical political reform plan designed to found a new republic. Chavez, who came to power on February 2 following a landslide victory in December, accuses the established political parties that dominate most public offices of corruption and mismanagement of much of the country's oil wealth.

Celebration

Portugal celebrates the 25th anniversary of the 1974 revolution which ended four decades of right-wing dictatorship.

Holidays

Italy, Portugal, Bahrain, Egypt, New Zealand.

Compiled by Roger Beale
Fax 44 171 873 3196

ECONOMIC DIARY

Other economic news

Monday: The US trade deficit is thought to have narrowed slightly in February. Higher oil prices probably pushed UK manufacturers' input costs higher last month.
Tuesday: Canada is forecast to have recorded another big merchandise trade surplus in February. Germany's Ifo business climate index is expected to rise for the first time in 10 months. Inflation in the UK is thought not to have changed last month.
Wednesday: The US government's finances should have shown a substantial surplus in March. Inflation in Canada is likely to have moved back up towards the floor of the target range in March. Unemployment in the UK is forecast to have risen for a second month in March.
Thursday: The European Central Bank is expected to leave euro-zone interest rates at 2.5 per cent. Surveys point to a small rise in French industrial production in February.
Friday: The introduction of the eco-tax should have pushed German inflation higher this month.

Statistics to be released this week

Day Released	Country	Economic Statistic	Median Forecast	Previous Actual
Mon	UK	Mar producer price index, input*	1%	-0.1%
Apr 19	UK	Mar PPI input**	-4.1%	-6.3%
	UK	Mar PPI output*	0.3%	0.2%
	UK	Mar PPI output**	0.2%	0.2%
	UK	Mar PPI excl. food/drink/tobacco**	-0.4%	-0.5%
Tue	Germany	Mar Ifo W Germ. bus. climate index	90.7	89.8
Apr 20	Germany	Mar Ifo W Germ. balance format		-15.8
	UK	Mar retail price index*	0.3%	0.2%
	UK	Mar RPI**	2.1%	2.1%
	UK	Mar RPIX**	2.7%	2.4%
	UK	Mar EU harmonised cons. price index		1.5%
	UK	Mar PSNCR	£6.9bn	-£1.5bn
	US	Feb trade: goods and services	-$16.7bn	-$17bn
	US	Feb goods and services export	$77.4bn	$76.8bn
	US	Feb goods and services import	$94.2bn	$93.8bn
	US	BTM - Schroders, April 17		0.2%
	US	Redbook, April 17		-0.5%
	Japan	Mar trade balance	Y440bn	Y1,240bn
	Spain	Feb industrial prod. current acct.**	3.5%	4.2%
Wed	UK	Jan average earnings, 3 months**	4.1%	4.3%
Apr 21	UK	Feb unit wages, 3 months**	1.5%	1.6%
	UK	Mar unemployment rate	6.000	4,300
	US	Mar Treasury budget	-$19bn	-$42.8bn
Thu	France	Feb industrial production†*	0.1%	0.6%
Apr 22	France	Feb excl. energy*	0.1%	1.4%
	UK	Mar retail sales*	0.2%	-0.3%
	UK	Mar retail sales**	1.6%	1.3%
	UK	Mar provisional M4*	0.6%	0.5%
	UK	Mar provisional M4**	7.2%	7.4%
	UK	Mar M4 lending	£4bn	£3.6bn
	US	Initial claims, April 17	306,000	316,000
	US	State benefits, April 10		2,216,000
	US	M1 week ended, April 12	-$3bn	$9.3bn
	US	M2 week ended, April 12	-$500m	$8.1bn
	US	M3 week ended, April 12	$12bn	-$6.5bn
	Japan	Feb Bank of Japan corp. serv. price**		-1%
	Japan	Feb Bank of Japan corp. serv. price		0%
Fri	Italy	Mar hourly wages**	1.5%	1.8%
Apr 23	UK	Q1 prel. gross dom. prod. (Q on Q)	0.1%	0.1%
	UK	Q1 prel. GDP**	0.7%	1.1%
	Italy	Apr 17 cities consumer price index*	0.2%	0.1%
	Italy	Apr 17 cities CPI**	1.3%	1.2%
During the week...				
	Japan	Mar supermarket sales**		-2.9%
	Japan	Mar department store sales**		-2.6%
	Japan	Apr trade balance (first 10 days)		Y195bn
	Germany	Mar import prices*	0.5%	0.1%
	Germany	Mar import prices**	-4.5%	-5.6%
	Germany	Mar PPI*	0.2%	-0.1%

*month on month, **year on year, †seasonally adjusted

Statistics, courtesy Standard & Poor's MMS.

MONDAY PRIZE CROSSWORD

No.9,965 Set by DANTE

A prize of a Tombow Lucca fountain pen and rollerball set, worth £125, will be awarded for the first correct solution opened. Solutions by Thursday April 29, marked Monday Crossword 9,965 on the envelope, to the Financial Times, 1 Southwark Bridge, London SE1 9HL. Solution on Monday May 3. Please allow 28 days for delivery of prizes.

Name.........................

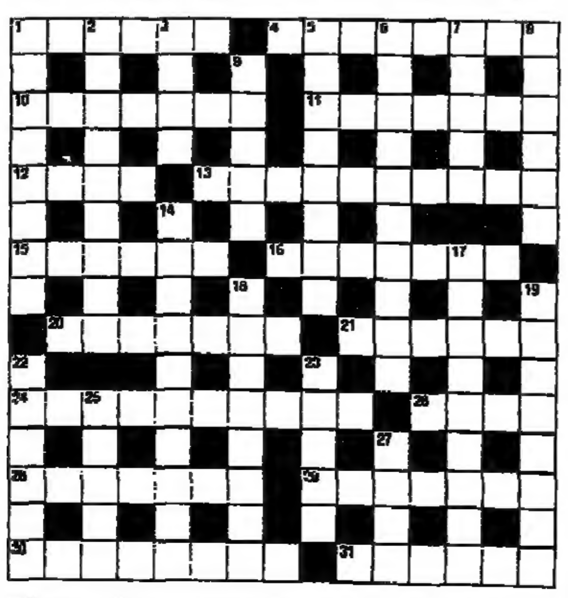
Address.........................

ACROSS

1 Contempt when party leader's on platform (6)
4 Suffer from stage-fright? (4,4)
10 Way a bird gains endurance (7)
11 Contracts for polar missiles (7)
12 A pain in the stomach eased by treatment (4)
13 Flying saucer? (4,6)
15 Left in play (6)
16 Sort of sight he encountered in the Alps (7)
20 Hoped to rise from despair (7)
21 A gunsmith will add it to his stock (6)
24 The arms of formidable females (6-4)
26 American journalist taken advantage of (4)
28 This difficult sum recalled Corinth, perhaps (7)
29 Sell genuine ones before mid-September (7)
30 Large gatherings of luminaries (8)
31 Hollow warning to sailors (6)

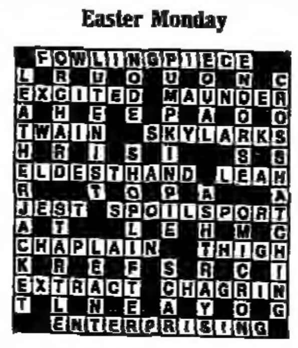
DOWN

1 Spend a long time in sea-journeys (8)
2 These lads could be immortal (9)
3 Some soldiers can turn up after start of unrest (4)
5 Comb manufacturer (5,3)
6 Time of occupation (7,3)
7 Run away to marry east European on the rebound (5)
8 Approaching the age of rebellion? (6)
9, 18 See Sheila sail out to see former emperor (5,8)
14 Not the impressive result one was led to expect (10)
17 It results in one admission after another (9)
18 See 9 down
19 Leg bound to be broken by heavy stick (8)
22 Water dropping from Big Ben (6)
23 Transfer between banks (5)
25 Sum for a child, a beginner (5)
27 Novel pet for Wendy (4)



Winner of Easter Monday Crossword: J. Doe, Bath

Easter Monday



JOTTER PAD

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